A.Z. ASTAPOVICH

THE STRATEGY OF TRANS-NATIONAL CORPORATIONS

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Introduction

When serious changes first begin to mature in society, researchers may legitimately ask themselves whether the first prophecies of changes are no more than a sensation blown up by journalists with nothing better to do. The first books to be published on the problems of transnational corporations (TNCs), which appeared in the West in the second half of the 1960s, were, in fact, rather sensational. How many different names were given to the new phenomenon by the various authors! Assessments varied from the frankly apologetic which hailed the TNCs as the chief motor of modern civilisation to the pessimistic and simply alarmist which regarded them as a direct threat to national sovereignty, the freedom of the individual, etc. Gradually the first wave of publications subsided and the time came for trying to understand and make a serious analysis of the consequences arising from the growth of transnationals for individual economies and world economic relations.

Marxist theory regards the emergence of TNCs as the natural outcome of capitalist development. Interest in this problem is increasing and gaining fresh stimulus year by year due to the great theoretical and practical importance of the subject which, far from being the latest sensation is a phenomenon which derives from the very heart of capitalism and reflects its most characteristic features and contradictions. The importance and urgency of finding a practical solution to many problems connected with the expansion of transnationals has attracted the attention of many international organisations. A wide-ranging discussion on how to control transnational operations has sprung up inside the U.N. This reflects the growing disquiet felt by world public opinion

at their harmful impact on trading relations and particularly on the position of developing countries.

Marxists have developed an exact scientific approach to defining the essential characteristics of transnational corporations. Its main features can be described as follows. Firstly, a qualitative evaluation of transnationals which makes it possible to specify their new features and the forms of expansion and consolidation of their economic positions in the world capitalist system. Secondly, an analysis of their most general and typical characteristics and their regular pattern. Thirdly, Marxist researchers have firmly rejected the broad, unbounded classification of TNCs as firms with perhaps only one foreign subsidiary. In fact, they are modern international supermonopolies with a turnover of a thousand million dollars and more and with tens and even hundreds of factories and companies abroad. This forms the basis for their profound impact on the economy of many countries and on world economic ties.

Transnational firms are a type of monopolistic organisation of all the various stages of economic activity on an international scale. Unlike the previous monopolies, they have organised a dense network of manufacturing enterprises in different countries, which they operate on the basis of intra-firm specialisation and co-operation while taking advantage of the international division of labour. They regard the capitalist part of the world as a single area for the accumulation and investment of capital, and an enormous source of finance. Their foreign operations are so widespread that they have had to establish their own centres for carrying through a uniform policy on production, finance and credit, research and development and trade on all five continents.

As in the case of any new phenomenon, in the development of monopoly capitalism it is essential to look at the TNCs role in undermining bourgeois structures. This is an essential part of Marxist analysis. The purpose of the present book is to trace the principal trends and the nature of transnational firms and to explain their effect in sharpening contradictions within the capitalist system as regards the relationships between wage labour and capital, between monopolies and the

state, and between capitalist and developing countries.

Every economic development must be examined in its historical context and continuity and in the light of changing circumstances. The technical discoveries that were made at the end of the 19th and beginning of the 20th centuries speeded up the emergence of monopolies owing to the enormous increase in the concentration of capital and production in various countries. Similarly, the modern scientific and technological revolution which greatly reinforced the internationalisation of production in the postwar period helped to transform major national companies into transnational ones. Under the impact of the scientific and technological revolution processes leading to the combination and diversification of production developed on a wide scale in the capitalist countries and became international in scope as the transnationals continued to grow.

The scientific and technological revolution has had a considerable effect on the external expansion of firms and has led to a concentration of investment in industrialised countries and research-intensive industries. However, the West's growing demand for raw materials and fuel and the possibilities that exist for transferring labour-intensive and polluting industries to the developing countries will probably cause a rise in foreign direct investments in these countries.

Economic competition with socialism persistently compels modern capitalism to make more efficient use of the latest technological discoveries. Transnational firms are the best possible answer at this stage of capitalism's fight to safeguard its position. They number among them corporations with an extremely high level of expenditure on research and development. Because their factories, research centres and laboratories are located in many different countries they have access to the most up-to-date technology.

The transnationals' main means of achieving their potential is their global investment strategy directed towards placing capital in the most profitable areas and fields of activity and switching it from country to country to gain immediate advantage from both long-term and short-term factors (favourable social and political situation, concessionary measures offered by the state,

changed economic prospects). This strategy also enables them to adapt to changing circumstances in the world and to economic instability. This may be done either by disinvesting from industrialised, chiefly West European countries or by switching to more mobile forms of expansion (joint ventures, agreements and contracts). Paradoxically, however, but quite naturally, the TNCs resolve the problem of the most efficient mobilisation of resources in their own interests and thereby help to increase the instability and contradictions of capitalism.

The TNCs have given a new perspective on the contradiction between wage labour and capital. The international character of this contradiction is becoming particularly evident at the present moment when the cosmopolitanised bourgeoisie simultaneously exploits workers of many different nationalities employed at transnational enterprises in various countries. In the interests of increased profit, the TNCs use new methods of exploitation previously unavailable to the monopolies. They include in practice lock-outs and the transfer of orders from factories on strike to plants abroad, refusal to recognise trade unions, relocation of production to low-wage countries or to where workers are not so well organised.

The development of TNCs has had a serious effect on the nature and the forms of inter-imperialist rivalry and the firms themselves have become vital instruments in the struggle between nationally distinct imperialisms. They have taken a direct part in causing fundamental shifts in the power balance among capitalist countries on the world market, in the export of capital, and in regard to science and technology. The foreign economic expansion of a bourgeois state rests on the power and enormous potential of its own transnationals and is undertaken in relation to the global scale of their production activities and their ability to swallow up capitals in different countries and switch them around easily from one part of the world to another. In order to strengthen the position of their TNCs bourgeois states have developed and carry out a whole series of measures to encourage and support their expansion.

While it forms the main trend in the foreign economic expansion of imperialism, TNC activity serves as

a new source of internal conflicts and contradictions. One determinant outcome of TNC growth has been the development of their antagonisms as globally operating companies with the aims and policies of a bourgeois state which reflects the interests of the ruling class as a whole. During the 1960s and 70s not only did the negative consequences of transnational activities on the capitalist economies become strikingly obvious but the inability of bourgeois governments to regulate these operations effectively and prevent them having an adverse effect on the worsening economic situation, the growth of output, and the level of employment became palpably apparent. The 1974-75 crisis provided important proof that the conflicts had sharpened.

The development of transnational corporations is closely related to modern neo-colonialism and the emergence of new means of oppression of the newly independent countries. They play an extremely important role in restructuring the international division of labour, by which means imperialism tries hard to reinforce the subordinate position of the developing countries through the relocation of labour-intensive, energy-intensive and polluting branches of production onto their territory. Their restrictive business practices help to achieve these objectives by all manner of means by stifling competition, putting a brake on the transfer of necessary technology and curtailing their equal participation in world trade.

The growth of the national liberation struggle and more active measures of the young states to nationalise foreign property have forced the TNCs to adjust to the new conditions. This is shown by the active use of new forms of expansion unconnected with major investments of capital or the risk of significant losses. The transnationals' current strategy is on the whole aimed at transforming the developing countries from capitalism's agricultural and raw material into an industrial and raw material periphery.

The data base for research into the development of TNCs is an important aspect of the problem. Despite the wealth of factual material, it is by no means all related directly to transnationals, although the job of analysis requires the use of

comparable data. The author's main requirement in selecting data was to trace the main trends of transnational strategy and its social and economic consequences. Two remarks are appropriate here.

Firstly, U.S. transnationals have in many cases been taken as the basis for research because information about them is more reliable and because they show most clearly the main lines of development of modern international monopolies. Naturally material on TNCs from other countries is also used whenever data allows.

Secondly, in writing this book the author relied mainly on U.N. documents, especially the two reports on the impact of transnationals on world events, and on the studies carried out as part of the Harvard University Multinational Enterprise Project. Although much of the data in these research studies relates to the mid- or even early 1970s, they reflect the principal trends in TNC development fairly adequately. Naturally, use has also been made of the very latest work on different aspects of their activity.

Thus, we are confronted with a new phenomenon—giant industrial corporations on the eve of the 21st century which have already acquired enormous economic power. Only through understanding the mechanism and the socio-economic and political consequences of their activity is it possible to conduct a successful fight to establish democratic control over them in the interests of social progress and international cooperation.

Chapter One

THE EMERGENCE OF TRANSNATIONAL CORPORATIONS: CAUSES AND CONDITIONS

In the postwar period there has been a rapid expansion in the overseas operations of the major industrial corporations. There has been a striking change in the nature of these operations undertaken by the leading monopolies, especially the American ones, and not just or even not so much as an increase in scale. This has been reflected in a switch from the traditional export of goods and small-scale overseas production, assembly and marketing operations to the development of vast industrial complexes based on intra-firm division of labour.

The export of capital forms an important means for the international expansion of monopolies. Any analysis of the evolution of overseas operations by monopoly concerns is therefore closely bound up with current trends in the export of private capital and its initial motivation, and must touch on the goals fixed by the modern corporation in extending foreign economic expansion.

DRIVING FORCE AND GROWTH FACTORS IN INTERNATIONAL EXPANSION

Profit has always been and still remains the main driving motive of capitalist production, regardless of whether it is restricted to national boundaries

or is international in scale. However, this constitutes only a very general approach to the problem of capital export since the bases and the conditions for the profitable functioning of capital both at home and abroad change over time. The changes that occur are chiefly connected with the activities of the monopolies and the expansion and evolution of their international operations.

Under monopoly capitalism the export of capital has two very important results. The first is the increased role of international monopolies in the capitalist world economy. This has become particularly evident in the postwar decades when a large part of world trade, capital, technology, and natural resources has been concentrated in the hands of the international giants. Their importance increased sharply only when the industrially developed countries became their main sphere of activity and when the export of capital to these countries became typical and widespread. The transnationals reached their full maturity and growth as the centre of gravity of their operations shifted to the industrialised countries.

The second outcome was that a handful of imperialist powers and monopoly alliances established their dominance over economically less developed countries and regions. Modern capitalism is currently trying to maintain this dominance by using new forms of economic penetration which conform to the present economic and political situation. Nevertheless, because of the collapse of the colonial system, its sphere of dominance has shrunk significantly. An ever greater number of newly independent countries is trying by some

means or another to resist the expansion of monopoly capital through nationalisation or restricting the TNCs share of their national economy.

Changes are also taking place in the external environment in which TNCs operate in the industrialised capitalist countries. Efforts are being made here too to limit the concentration of capital in the hands of foreign companies. Nevertheless, in conditions of the current scientific and technological revolution, the TNCs are compelled to expand their network of joint ventures and actively promote various kinds of cooperation.

Consequently, international corporate activity is now constrained by a whole complex of factors including those of a political character. Consideration must, however, be given to yet another aspect, i.e., the very mechanism of capital accumulation which affects the overseas activity of monopolies. The expansion of a transnational corporation and the direction of that expansion are subject to the general laws governing the self-expansion of capital which can best be explained by analysing the rate of profit. Does it also act at the international level as that force which, to use Marx's phrase, sets capitalist production in motion? With this question in mind, let us now look at the postwar relationship between the rates of profit on U.S. foreign and domestic investments for which the necessary data exists.

From the mid-1950s there were clear signs that the substantial gap which had till then existed between the average level of profitability within the United States and overseas was be-

ginning to close. There is a fairly clear trend towards the convergence of profitability indicators for domestic and foreign operations.

It should be noted that it is extremely difficult to make a correct comparison of the profitability of domestic and foreign investments on the basis of official American statistics. Thus, there is no uniform approach to defining income in the accounts for operations in the United States and abroad. Moreover, in the statistics on domestic corporate activity there is no data which is identical in content to foreign direct investments in balance of payments terms. This corresponds most closely to the indicator of share capital which is published on a regular basis only for manufacturing industry. However, if figures that have been averaged out over a fairly long period so as to eliminate cyclical and other variations are compared, then it is possible to delineate the general trend.

Table 1

Average Annual Rate of Profit of U.S. Manufacturing Companies in the United States and Overseas (in percentages)

	Rate of Return on Share Capital in U.S.	Rate of Return on Foreign Direct Investments
1950-54	11.1	18.7
1955-59	11.0	11.9
1960-64	10.0	10.1
1965-69	12.3	9.9
1970-74	11.5	12.1
1975-81	14.2	15.2

Derived from *Surveys of Current Business* and *Economic Report of the President*, Washington, D.C., 1982

As Table 1 shows, there was no substantial change in the rate of profit in the United States in the third quarter of the 20th century. Only one sharp increase was recorded in 1965-69 when the rate of return inside the country was even greater than that for overseas subsidiaries. The second half of the 1960s, however, has practically no significance for purposes of comparison because it was a special period in the development of the American economy—a time of economic upsurge artificially stimulated by the Vietnam war. On the other hand, the rate of return on foreign operations fell steadily right up until the end of the 1960s and it only improved slightly in the mid-1970s.

The tendency for profit rates to draw closer together is shaped by a whole number of factors. In the first place it is due to the closing of the technological gap between the United States and other industrialised capitalist nations. This has had an impact on the production efficiency of American companies chiefly in Western Europe and on their technological level, introduction of new technology, etc. Next should be noted the rise in production costs of American firms abroad. This was caused, firstly, by the overall inflationary rise in prices, especially in the 1970s and the resulting increase in the cost of the physical components of fixed and circulating capital; secondly, by an acceleration in amortisation rates in foreign countries; and thirdly by the rise in wages reflecting an increase in the value of labour power due to better qualifications and a higher level of training. Finally, growing competition from West European, Japanese and other produc-

ers and a relative decline in the competitiveness of American monopolies played a considerable role.

Does the convergence of profit rates in the United States and other industrially developed countries mean that profitability as an incentive to the large corporation to expand abroad is disappearing or growing weaker? Analysis shows that enormous differences in the rate of return on operations in imperialist and in developing countries lie hidden behind the overall figures.

This question regarding the significance of profit should help to explain not only the reasons for the export of capital but also any changes in its allocation to different regions of the world. An analysis based on political economy must bear in mind the principledly different role of the rate of profit and the mass of profit for capitals of different size. As Marx stressed, "the rate of profit, i.e., the relative increment of capital, is above all important to all new offshoots of capital seeking to find an independent place for themselves. And as soon as formation of capital were to fall into the hands of a few established big capitals, for which the mass of profit compensates for the falling rate of profit, the vital flame of production would be altogether extinguished."[1]

The following proposition has been put forward in Soviet literature on the subject which develops this idea of Marx in relation to foreign investments. Doctor Belous has written, "In present conditions, an increase in profits is achieved not so much through increasing its rate as through increasing its mass. This is the primary reason why transnational and multinational corporations locate about two-thirds of their foreign direct

investments in the developed part of the capitalist world where less surplus value per unit of capital is created than in the developing countries but where on the other hand a far greater mass of surplus value is produced and realised."[2] This proposition really focusses attention on the growing role of the mass of profit in capital export at the present time. But does this fact provide a general and sufficient explanation of the reasons which today drive capitals overseas?

Since Doctor Belous' thesis describes only the current situation, it is unclear what was the initial incentive for concentrating two-thirds of the value of direct investments in the industrialised part of the capitalist world. There is even more need for an explanation of the reasons why the less developed countries retain a fairly large share capital exports, which moreover shows a clear tendency

Table 2

Average Annual Rate of Profit on U.S. Private Direct Investments in Developed and Developing Countries

	Developed Capitalist Countries		Developing Countries	
	Profit ($000 m.)	Rate of return (per cent)	Profit ($000 m.)	Rate of return (per cent)
1950-54	0.8	11.5	1.3	18.3
1955-59	1.4	10.3	1.8	16.2
1960-64	2.1	8.9	2.2	17.2
1965-69	3.2	8.1	2.7	17.1
1970-74	7.4	11.0	4.8	22.7
1975-81	16.7	13.0	9.6	23.6

Derived from *Surveys of Current Business.*

to grow in future. It is extremely important to clarify the part played by the rate of profit and the mass of profit in the export of capital to developed countries, on the one hand, and to developing states, on the other.

The rate of profit on U.S. direct investments in developing countries is substantially in excess of the rate on similar investments in the United States and other industrialised countries. The reasons for the high level of profitability in developing countries are basically the same as at the beginning of the century: a shortage of capital, relatively cheap land, and low wages. Profitability in industrialised countries has fallen steadily and only in the 1970s again showed a slight rise. As a result, instead of closing, the gap between the two different rates of profit widened constantly in the 1950-70s. However the volume of U.S. investments in the industrialised part of the capitalist world grew significantly faster than in the less developed areas.

The reasons for this were undoubtedly the largely unfavourable investment conditions in the developing world and the objective need created by the scientific and technological revolution for the development of production which could best be achieved in the developed countries. Alongside this, however, the laws of capitalist accumulation also came into force. An increase in the concentration of imported capital was necessary in the imperialist countries in order to compensate for the low rate of profit on its mass and, more specifically, to compensate for foregoing the chance to invest capital at a high rate of profit. This is why it is important to show the trend in relation

to the mass of profit that can be appropriated in different regions of the world.

Whereas throughout the postwar period the developing countries kept their firm advantage as regards the rate of profit, the situation was quite otherwise as regards the mass of profit. Only since 1963 has the total amount of profit obtained by American firms every year in industrialised countries begun to exceed the amount extracted in developing countries. In fact, U.S. direct investments in developed countries surpassed those in developing countries back in 1953. Thus, within the space of ten years under the laws of capitalist accumulation U.S. investments abroad have reached that boundary beyond which "a large capital with a small rate of profit accumulates faster than a small capital with a large rate of profit".[3]

Consequently the mass of profit is a decisive factor in stimulating the flow of U.S. investments to industrialised states. At the same time the rate of profit retains its importance not only for the functioning of smaller groupings of capital in developing countries but especially for new investments in hitherto "unoccupied" spheres of activity. The great importance of the rate of profit was very evident in the enormous growth of direct investment by U.S. firms in Southeast Asia and the Far East where it has stayed at between 16-18 per cent since the end of the 1960s.

Present-day trends in the export of capital may be largely explained by differences in the profitability of operations in the different capitalist states which are taken into account and used by the transnational corporations. The profit factor now

plays a dual role in shaping the distributional trends of overseas investments. The objective grounds for moving capital from the imperialist to the developing countries remain as before the high rate of profit that can be earned in the latter, as a result of which the problem of overaccumulation can still to some extent be solved. The flow of large amounts of capital among industrialised countries, especially between the United States and Western Europe, is however decisively connected with the earning of an enormous mass of profit as a counterbalance to its rate of profit. These processes can only be fully understood if one takes account of the development of the transnationals and their economic strategy.

A monopoly corporation which groups together tens and hundreds of enterprises substantially modifies its objectives in the context of a national economy. It is interested in obtaining sufficient profit over a prolonged period of time during which both cyclical fluctuations and possible losses from launching new products and techniques are smoothed out. By expanding the market for its products and increasing its sales it manages to achieve a final increase in the mass of profit.

The industrial application of new technology lays the basis for a further expansion of the overseas market. The mass production of a wide range of manufactured products requires a similarly mass market such as exists in industrialised countries. Because of their size and growth potential American companies continue to invest as they have done in the past in such sectors as the motor, chemical and petro-chemical, electronics and computing industries. The capture of new mar-

kets enables the big corporations to further increase the mass of profit. Since under present-day imperialism market expansion is closely connected with the penetration of new spheres of activity including those overseas, one of the determinant means of achieving this is inevitably to export capital.

The export of capital has helped in the development of international monopolies for, as it has grown, so too have overseas contacts and spheres of influence broadened and all the necessary conditions been created for agreements and alliances among firms from different countries. In time monopoly combines have become the main channel for the relocation of capital abroad and this has had a decisive influence on the nature and the direction of this relocation. The export of capital is both the premise and the outcome of the growth of international monopolies. In this connection attention should primarily be given to the following facts.

The mid-1960s formed the starting point for both a significant reduction in the difference between the rates of profit on American private investments in the United States and abroad, particularly in the developed countries, and a first ever rise in the mass of profit obtained in those countries over and above the amount received in developing countries. During this same period the TNCs, on the whole, finally established themselves and through their activity laid the basis for those changes that occurred in the profitability of U.S. investments in different parts of the world. Today TNCs determine the principal trends in the export of private capital and its

sectoral and geographic location both inside and outside its country of origin. Because of the objective conditions of development they no longer limit their objectives to achieving profitability of their operations in this or that part of the capitalist world.

Product diversity which frequently does not share a common technological base enables a corporation to operate simultaneously in several product markets. Foreign expansion when capital is invested in various sectors in a large number of different countries, is in the final analysis also aimed at the search for new markets. Over the last 15 to 20 years there has been a rapid increase in the number of monopolies which have come to need foreign sales markets to achieve further growth. Access to world markets has been dictated by the obvious narrowness of the national market. Because of the growing strength of West European and Japanese competitors and the introduction of collective tariffs by the EEC (Common Market), American companies have come up sharply against the problem of exporting. It has proved necessary to overcome the trade barriers that have been put in the way and "smash" them from within by organising production overseas. In this connection it is interesting to note that for more than 90 per cent of the 187 firms studied the first subsidiaries were established "as a defensive reaction to changes in export markets".[4] They manufactured the company's major product line.

A strengthening of its positions on the world market is one of the most important attributes of an international monopoly whether it takes the form of a cartel, trust or combine, an agreement

on technology or production cooperation, etc. The methods used differ and are constantly improved as imperialism develops. The organisation of production overseas was a significantly more efficient way of capturing new markets than foreign trade. Competition for a share of the world market does not represent the full essentials of TNCs development. Indeed it forms only part of their unceasing struggle for the economic partition and repartition of the world. The scale of their participation and their role in the fight for those shares that had already been divided up depended on the efficient exploitation of natural, material and human resources in many different countries. The TNCs organise this system in a principledly different way to the previous types of monopoly association. Herein lies the qualitatively new characteristic of the transnational corporation.

The trend towards the internationalisation of capital and production and the expansion of the productive forces beyond narrow national limits lies at the roots of the development of transnational firms. But what distinguishes the present stage of development and how is it linked to the preceding stage of development of international monopolies? As a matter of fact, even international cartels were a vivid expression of internationalisation of economy.

At the beginning of the present century international trusts began to develop which, unlike cartels, controlled not only trade but certain sectors of production in foreign countries. "The British capitalists," wrote Lenin, "are exerting every effort to develop cotton growing in *their* colony, Egypt; ... the Russians are doing the same in

their colony, Turkestan, because in this way they will be in a better position to defeat their foreign competitors, to monopolise the sources of raw materials and form a more economical and profitable textile trust in which *all* the processes of cotton production and manufacturing will be 'combined' and concentrated in the hands of one set of owners."[5] Lenin was pointing out the efforts made by monopolies to locate enterprises combining a single production cycle in a number of different countries. But there were few monopolies of this type at the beginning of the 20th century and the overwhelming majority of them operated in industries based on raw materials. The phenomenon of internationally organised production within a single company developed fully and on a significantly wider scale after the Second World War. This quantitative spread naturally gave this phenomenon a new quality.

At the present time the scientific and technological revolution determines the nature, scale and depth of the internationalisation of capitalist production. It has given rise to a re-orientation of the overseas activities of monopolies towards the developed countries and manufacturing industries especially those that are technologically advanced and dynamic. It was in fact the need to develop the productive forces in conditions of the scientific and technological revolution that formed the objective basis for the evolution of transnational corporations. There was a need for specialisation and cooperation and combination and diversification beyond the boundaries of national states and for an increase in the optimal size of enterprises. Typically in the case of transnationals there is a

direct link between the results of overseas subsidiaries' operations and the corporation as a whole. Economies on scale and greater specialisation by individual overseas subsidiaries improve the TNC's efficiency and competitiveness as a whole including the parent company which was not the case with the previous international monopolies comprising trusts.

By the mid-1960s more than 200 giant capitalist monopolies organised their operations in such a way as to take advantage of the capitalist international division of labour. Intra-firm specialisation and cooperation spread across a great number of countries became the norm. The emergence of TNCs as the dominant type of international monopoly can be fixed to the time when the division of labour inside *many* companies reached international proportions and when practically *all* branches of industry were affected. Later on we shall see how in the new conditions the operations of monopolies in the extractive industries were transformed in such a way as to allow us to classify them too as transnationals.

Characteristically transnational firms subordinate the operations of all their various national subsidiaries to common objectives and the pursuit of a global economic strategy. This gives rise to a new content for the criterion of profitability: it is not the profit of one or other enterprise or subsidiary which is first taken into account but its potential for ensuring the steady growth of revenue throughout the corporation. The location of labour-intensive industries to developing countries enables local enterprises to increase their rate of profit by exploiting cheap local labour. Capital-intensive

and research-based industries are retained in the developed countries where there is a concentration of technology and finance, skilled labour and large markets whereby a large volume of output and mass of profit can be created. A high level of exploitation and opportunities for producing and selling new products can only be reached simultaneously through an intra-firm division of labour within a TNC. For this reason a decision to invest capital in different areas of the world only indirectly depends on the level of profitability in one or another country. The situation in certain countries may attract the attention of transnational firms but the final decision as to whether to invest there or not will be determined by whether the most effective use can be made of the local subsidiary within the corporation according to a full range of indicators—transport costs, the level of infrastructural development, availability of the right kind of labour, etc.

MAIN TRENDS IN THE EXPORT OF PRIVATE CAPITAL

Although the United States is still the main exporter of capital, there was a gradual weakening of its dominant position in the 1970s. With assistance from the state, the leading monopolies of Western Europe, Japan, and Canada turned into multi-sectoral companies and significantly broadened the scope of their accumulation. Their economic, scientific and technological potential grew, there was a more rapid application of the latest innovations to the modernisation and renewal of production, and the general level of

training and skills of their workforces improved. The major West European, Japanese, and Canadian monopolies took active steps to internationalise their production in order to increase their profits and strengthen their own competitiveness.

The prediction of French journalist and politician J.-J. Servan-Schreiber about U.S. subsidiaries in Western Europe becoming a "third industrial power in the world", which created quite a sensation at the end of the 1960s in face of the very rapid expansion of U.S. capital, has now to some extent lost its original force.[6] The situation has changed considerably since then. Events in the 1970s have shown convincingly that TNCs are by no means a specifically American phenomenon but the main means of expansion for all leading capitalist firms. In present-day conditions their foreign economic activities are underpinned by the export of functioning capital in the form of direct investments which make it possible to exercise direct control over the operations of enterprises located abroad. Despite a certain slackening in the rate of growth of foreign direct investments it still stands at a high level—from 1967 to 1971 it stood at 10.7 per cent and from 1971 to 1976 at 12.7 per cent, at a time when GNP in the capitalist world showed an average annual increase of 9.1 per cent and 13.5 per cent respectively. Foreign direct investments also increased as a proportion of GNP from 6.7 per cent in 1967 to 6.9 per cent in 1976.[7]

As shown in the table, practically the total amount of foreign direct investments is concentrated in the hands of a few of the richest industrialised countries. This is a very high level

Table 3

Foreign Direct Investments of the Major Capital-Exporting Countries

	1967		1973		1979	
	$000 m.	per cent	$000 m.	per cent	$000 m.	per cent
USA	56.6	50.3	101.3	48.9	192.6	45.7
United Kingdom	17.5	15.6	26.9	13.0	46.9	11.1
West Germany	3.0	2.7	11.9	5.7	36.4	8.6
Switzerland	3.7	3.3	10.2	4.9	31.0	7.4
Japan	1.5	1.2	10.3	5.0	29.7	7.1
Netherlands	11.0	9.8	15.4	7.4	26.0	6.1
France	6.0	5.3	8.8	4.2	16.9	4.0
Canada	3.7	3.3	7.8	3.8	15.4	3.7
Sweden	1.7	1.5	3.0	1.5	6.6	1.6
Belgium & Luxembourg	1.3	1.2	2.2	1.1	6.0	1.4
Italy	2.1	1.9	3.2	1.6	3.8	0.9
Total	108.1	96.1	201.0	97.1	411.2	97.6
All other countries (est.)	4.4	3.9	6.1	2.9	8.8	2.4
Grand Total	112.4	100.0	207.1	100.0	420.0*	100.0

* Author's appraisal

Source: Salient Features and Trends in Foreign Direct Investments. ST/CTC/14, pp. 58-60, 80-81.

of monopolisation if one takes account of the fact that there are 24 capital-exporting countries which belong to the industrialised nations. Moreover in the 1970s a number of oil-producing countries which had amassed large amounts of money from the rise in oil prices joined the ranks of major capital exporters.

Significant changes had also occurred in the balance of forces in the field of capital exports. First of all the share of the major exporters of the mid-1960s—USA, Britain and France—had shrunk due to the relative slackening in the growth of overseas investments by their monopolies. West Germany and especially Japan had strengthened their position as a result of their firms switching actively from the export of goods to the export of capital and expanding their production abroad. As a consequence their share in total foreign direct investments increased substantially.

Too much importance should not however be attached to the declining share of U.S. companies in capital exports. As previously the United States beats all its competitors for the absolute size of its investments which are greater than all the rest taken together. It retains its leading position in the advanced science-intensive industries and is still the chief exporter of technological know-how. Thus it is still important to make an analysis of U.S. capital exports so as to identify the general trends as well as to pick out a number of specific features.

Postwar trends in U.S. capital exports reflected the new conditions in which world capitalism was developing. The flow of capital from the

United States to Western Europe in particular was due to the fact that its area of domination had been narrowed by a strengthening in the position of the socialist countries and the national liberation movement as well as to the fact that its foreign competitors were relatively weakened in the early postwar years. The formation of the EEC (Common Market) had a similar effect. Changes in the foreign economic field of modern capitalism and the expansion of production and technology ties between countries constituted another important factor. As a result the export of functioning capital took on primary importance. Direct investments became the main form of U.S. private investments abroad comprising roughly 65 per cent of the total in the 1950s to 1970s and this reflected a general trend during these years. According to an estimate by Professor Dunning, direct investments as a proportion of private long-term investments abroad by all capitalist countries rose from 10 per cent in 1914 to 75 per cent by the end of the 1960s.[8]

In the postwar period trends in U.S. private investments abroad and their geographical and industrial allocation coincide with the trend of TNCs development, exactly in the same way as the conditions for the export of capital at the present stage are linked directly with these firms' goals. There are two facts which give grounds for presenting the question in this way. The first is the exceptionally high degree of monopolisation of exported capital. In the late 1960s and early 1970s as few as 187 corporations (out of the 500 "top" American firms) concentrated in their hands over 70 per cent of U.S. foreign di-

rect investments if Canada is included and more than 80 per cent excluding Canada.[9] The second fact is the setting up by the biggest American monopolies of the bulk of their overseas subsidiaries: in the period between 1946 and 1964 the same 187 corporations acquired or set up 60 per cent of their foreign manufacturing subsidiaries.[10] By the mid-1960s single production complexes were formed within companies from enterprises located in many different countries which based their operations on an international specialisation and cooperation of production.

The chief characteristic of direct investments today is their bias towards the industrialised capitalist countries. In the mid-1970s three-quarters of all such investments or about $200,000 m. in value were located there. Moreover, 41 per cent of all foreign investments were concentrated in only four countries—Canada, USA, Britain, and West Germany.[11]

After the war the proportion of U.S. foreign direct investments located in developed countries rose steadily and reached 73.5 per cent of the total in 1981.[12] What was remarkable was that only 11 countries accounted for such a large part of this high percentage.

This group (see Table 4) comprises the largest and most powerful capitalist countries which are the principal exporters and importers of capital. Modern large-scale production is firmly established in these countries, they have a highly trained and skilled labour force, and a big concentration of science and technology. Finally, their financial and credit institutions are largely able to meet the demand for funds of the monopoly groupings.

This whole range of factors explains the constantly growing importance of these 11 countries as the main area of U.S. investment. The main aim of the U.S. monopolies is to create an economic mechanism capable of reaping the fruits of the present-day scientific and technological revolution and using it as their strongest weapon in the fight between monopolies. Capital is invested in this part of the world precisely because of the concentration of technology in the leading

Table 4

Area Pattern of U.S. Private Direct Investments (in percentages)

	1950	1960	1965	1970	1975	1981
Industrialised capitalist countries	48.6	59.2	65.3	68.0	73.2	73.5
of which 11 countries[a]	44.4	58.0	61.2	63.6	67.1	66.8
Developing countries	48.4	36.5	30.7	27.4	21.1	24.7
of which Other Asia[b]	0.9	1.0	1.2	1.9	2.3	3.3

[a] Comprises the principal capital-exporting countries: Australia, Britain, Belgium, Italy, Canada, Netherlands, West Germany, France, Switzerland, Sweden, Japan.

[b] Comprises Southeast Asia and the Far East.* Derived from *Surveys of Current Business.*

* U.S. statistics on foreign investments intentionally do not separate out the countries of Southeast Asia and the Far East. There is a catch-all group "Other Asia" not comprising the countries of the Middle East, India, the Philippines and Indonesia (shown separately). Thus, with the exception of Pakistan, Bangladesh and some small countries, where U.S. investments are relatively insignificant, the heading "Other Asia" actually comprises the states of Southeast Asia and the Far East.

Table 5

Average Annual Rates of Growth of U.S. Direct Investments by Area (in percentages)

	1950-60	1960-70	1970-81
All Countries	10.5	9.4	10.5
Developed Capitalist Countries	13.1	10.6	11.2
of which 11 countries	13.5	10.4	11.0
Developing Countries	6.1	6.9	10.3
of which Other Asia	12.2	16.2	11.2

Derived from *Surveys of Current Business*.

imperialist countries. Thus trends in the geographical distribution of American private investments are linked in the most direct way with the activities of their transnationals. This is confirmed not only by the actual share but also the dynamic increase of that share in certain years and in certain regions (see Table 5).

U.S. investments in the industrialised capitalist economies are showing high and steady rates of growth which over the whole postwar period have been consistently higher than those for total U.S. foreign investments and in the developing countries alone. Moreover in the 1950s and early 1960s the pace has been most dynamic in the same 11 leading countries.

There are however no grounds for asserting categorically that the future share of developing countries in U.S. private investment abroad will inevitably drop. On the contrary, the facts indicate that the major American monopolies are increasingly interested in investing in developing

countries. Although the rates of growth of U.S. direct investments in developed countries are for the present higher than in the developing ones, the gap between them is closing rapidly owing to a relative slackening in the former and acceleration of the latter.

The TNCs are trying hard to draw the newly independent countries more closely into the capitalist international division of labour by locating on their territory labour-intensive and "pollutant" industries. This can be clearly seen in the growth of U.S. capital in Southeast Asia and the Far East. Various economic and socio-political factors stimulating the flow of foreign capital are closely interwoven in this situation: the low value of labour power, its availability for labour-intensive assembly work, the absence of strong trade unions, concessionary tax systems, and the relative stability of the regimes in power. The international corporations have expanded their operations in Southeast Asia at a fairly advanced stage of their own development when they are improving the organisation of their intra-firm network through the partial integration of new enterprises in developing countries. In the 1960s and 70s U.S. investments in this part of the world grew much faster than elsewhere (see Table 5). This is a sign of a partial relocation from developed to developing countries under pressure from the "optimal combination" of production conditions and the wish to make the best use of these conditions wherever they may be.

Manufacturing now accounts for the bulk of American investment abroad. Since the 1950s it has amounted to more than 50 per cent of U.S.

direct investments in developed countries, while in the developing states it has increased considerably from 14.9 per cent in 1950 to 34.4 per cent in 1981.[13] The advanced and dynamic industries with high research and development expenditures occupy a prominent place in the expansion of transnational firms in the industrialised countries. This is particularly true of American TNCs. In 1981 four industries (chemicals, non-electrical machinery, electric and electronic equipment, transportation equipment) accounted for 27.4 per cent of such investments.[14]

At the present time the export of capital in the form of direct investments represents a process regulated by a small group of monopolies which enables them to strengthen their role in the world capitalist economy. The relocating of functioning capital to highly developed areas of the capitalist world and to dynamic research-intensive industries is a natural expression of the emergence and growth of transnational corporations.

SCALE AND CHARACTER OF OVERSEAS OPERATIONS. CHANGES IN THE RANKING OF TRANSNATIONALS

A number of factors need to be taken into account in making a quantitative and qualitative assessment of the character of transnationals. The first though not most important factor is the current relative strengths of TNCs belonging to different countries and the scope of their activity beyond the boundaries of their own state. The second factor is the type of activity undertaken

by these firms overseas which gives grounds for speaking of a qualitatively new impact by the monopolies on world economic relations. Finally, the third factor is linked with the problem of where their capital originates, of its national identity.

A capitalist firm cannot be regarded as multinational simply because it has overseas operations in the field of production and not only in circulation. A TNC is a multinational monopoly which controls a substantial part of the world market through its internationally organised production. The export of capital has led to the creation within the corporation of a broad production base located in many different countries.

In defining a TNC attention should first of all be paid to its absolute size. Large monopoly firms are far more orientated towards foreign expansion than small- and medium-sized firms especially in production because of the need to extend the scale of enterprises, introduce mass serial production of goods, etc. Only a large company can be a monopolist in the markets, including the labour markets, of many different countries at one and the same time and undertake large-scale research and development and financial operations as well as production abroad. The conclusion drawn by many researchers that, particularly in American conditions, the concepts "large corporation" and "transnational" are substantially identical is a correct one.[15]

In the 1970s serious shifts occurred in the relative strengths of TNCs from different countries and there was a further increase in their uneven growth. This was evident in a noticeable weaken-

ing in the role played by U.S. monopolies. The American business magazine *Fortune* even published an article entitled symbolically "Why the Multinational Tide is Ebbing?".[16] Its well-known economic commentator Sanford Rose pointed with some justification to the worsening competitive position of U.S. TNCs as shown by their declining share of foreign direct investments and curtailment of part of their foreign operations. In the first half of the 1970s they liquidated 10 per cent of their foreign subsidiaries.

The position of U.S. TNCs weakened not only because they lagged behind their competitors in rates of investment growth but, in a number of cases, in mastering new technology, making products in great demand, and modern ways of capturing markets. As a result they have yielded leadership in a number of industries.

A characteristic feature of present-day inter-imperialist rivalries is the significant levelling out that has occurred in the positions of the leading monopolies. In some industries in which previously one or two companies held uncontested sway now both domestic and foreign rivals have caught up with them. In other industries competition has grown even stronger and has caused definite shifts among the leading firms. (See Table 6.)

A comparison of the six largest capitalist corporations in the main branches of industry in which TNCs are concentrated is revealing. In 1968 the US monopolies held first place in five industries and ranked second in four industries. Thirteen years later, in 1981, they lost second place in two industries. The position of the American TNCs weakened in the chemical industry,

where they were squeezed by the three leading West German companies-successors to I. G. Farben-industrie. They also lost their dominant position in the rubber industry. Firmly entrenched here are the French Michelen, which has developed a fundamentally new type of radial tyre, Pirelli (Italy) and Dunlop (United Kingdom).

The motor industry has witnessed a considerable regrouping of firms although the Americans are still the leaders. Chrysler is no longer among the leading motor industry firms. Along with the

Table 6

Relative Position of Leading Transnationals and Their Main Competitors in Major Industries (as percentage of leader's turnover)

1968		1981	
Motor			
	$000 m.		$000 m.
1. General Motors (USA)	22.8 per cent	General Motors	62.7 per cent
2. Ford Motor (USA)	62	Ford Motor	61
3. Chrysler (USA)	33	Fiat	31
4. Volkswagen (FRG)	13	Volkswagenverk	27
5. British Leyland (UK)	10	Daimler-Benz	26
6. Fiat (Italy)	9	Nissan Motor (Japan)	26
Chemical			
	$000 m.		$000 m.
1. Du Pont (USA)	3.5 per cent	Du Pont	22.8 per cent
2. ICI (UK)	86	Hoechst	67
3. Union Carbide (USA)	77	Bayer (West Germany)	66
4. Montedison (Italy)	66	BASF (West Germany)	60

5.	Hoechst (FRG)	54	ICI	58
6.	Dow Chemical (USA)	49	Dow Chemical	52

Rubber

		\$000 m.		\$000 m.
1.	Goodyear (USA)	2.9	Goodyear	9.2
		per cent		per cent
2.	Firestone (USA)	72	Michelin (France)	67
3.	Uniroyal (USA)	48	Pirelli (Italy)	49
4.	Goodrich (USA)	38	Firestone	48
5.	Dunlop (UK)	38	Goodrich	35
6.	Pirelli (Italy)	33	Dunlop Holdings (UK)	33

Electrical Engineering and Electronics

		\$000 m.		\$000 m.
1.	General Electric (USA)	8.4	IBM	29.0
		per cent		per cent
2.	IBM (USA)	82	General Electric	94
3.	ITT (USA)	49	ITT	60
4.	Westinghouse Electric (USA)	39	Philips	59
5.	Philips (Netherlands)	32	Siemens (West Germany)	55
6.	Hitachi (Japan)	27	Matsushita (Japan)	54

Oil

		\$000 m.		\$000 m.
1.	Exxon (USA)	14.1	Exxon	108.1
		per cent		per cent
2.	Royal Dutch-Shell (UK/Neth.)	65	Royal Dutch-Shell	76
3.	Mobil Oil (USA)	44	Mobil	60
4.	Texaco (USA)	39	Texaco	53
5.	Gulf Oil (USA)	33	British Petroleum (UK)	48
6.	Standard Oil of California (USA)	26	Standard Oil of California (USA)	41

Food and Household Goods

		$000 m.		$000 m.
1.	Unilever (UK/Neth.)	5.5	Unilever	24.1
		per cent		per cent
2.	Swift (USA)	51	Nestle	59
3.	Procter and Gamble (USA)	46	Procter & Gamble	11
4.	Nestle (Switzer-land)	35	Dart and Craft (USA)	10
5.	General Foods (USA)	33	Beatrice Foods	9
6.	Beatrice Foods (USA)	20	General Foods	7

Derived from *Fortune*, May, August 1969, 1982.

British Leyland it has been pushed far down by Japanese, French and West German car firms.

There has, however, only been a relative weakening in the position of U.S. transnationals since they still surpass all others in the scale and diversity of their foreign operations and network and in their level of activity on international capital markets. They make far greater use of foreign credit and financial institutions. The scale of corporate global activity is in general exceptionally important in evaluating the relative strengths of different states in the inter-imperialist struggle.

The distribution by country of the 422 top corporations almost entirely coincides with the share of these countries in total foreign direct investment. A different picture emerges, however, if an analysis is made of companies which locate over a quarter of their business operations in foreign subsidiaries. The point in singling out this group of companies is that, precisely because they have relocated a significant part of their production abroad, they form the nucleus of in-

Table 7

Number and Relative Size of National Companies Among the Top Capitalist Corporations, 1976

	USA	Japan	Great Britain	FRG	Other Developed Countries	Developing Countries	Total
All Corporations	223 (52.8)	49 (11.6)	41 (9.7)	27 (6.4)	72 (17.0)	10 (2.5)	422 (100.0)
Corporations with Foreign Content over 25 per cent	82 (53.6)	5 (3.2)	29 (19.0)	4 (2.6)	32 (20.9)	1 (0.7)	153 (100.0)

Note: 1) Percentages are given in brackets.

2) Foreign content is defined as proportion of sales, assets or employment of foreign subsidiaries in total corporation data.

Source: *Transnational Corporations in World Development...*, 1978, p. 213.

ternational business. Seen from this perspective the position of British and French TNCs appears much more favourable than that of Japanese and West German firms. All seven Swiss companies included among the total of 422 belong to the "elite" of leading TNCs with significant operations abroad.

It would appear that the first grouping of firms in Table 7 gives a fairly accurate reflection of the current situation of finance capital of a particular country regarding the export of capital. After all capital is exported even by firms which do not have many production plants abroad. This is now typical for most large West German and Japanese firms. At the same time the second grouping, according to foreign content, gives a true direct indicator of the relative strengths of TNCs. In recognition of this fact, it should be realised that the role played by U.S. TNCs in the capitalist world economy still remains extremely weighty and tangible.

In 1950 TNCs produced 8 per cent of gross national product throughout the capitalist world, in 1967 this figure had risen to 17 per cent, and in the mid-1970s to 22 per cent. Over the same period the top U.S. TNCs accounted for 17 per cent of total U.S. sales of manufactures in 1950, 42 per cent in 1967, and 62 per cent in 1974.[17] Foreign manufacturing subsidiary sales (excluding intra-firm sales) by the 422 companies with a turnover in excess of $1,000 m. amounted to $410,000 m. in 1976.[18] In that same year capitalist world trade was valued at $898,000 m.,[19] i.e. only double the turnover of the giant monopolies from their "foreign empire".

Besides the growing scale of activity there have been important changes in the nature of this activity. The centre of gravity of the TNC foreign operations has shifted over to the side of production. This enables them to penetrate and strengthen their position in leading sectors of the economy of other countries.

In 1978 the following firms were to be found among the top 30 manufacturing firms of each country included: in West Germany Exxon held 10th place, ITT 13th, Ford 17th, General Motors 19th, Mobil 21st, Texaco 22nd, IBM 25th, in Britain Exxon subsidiary held 7th place, Ford 10th, Xerox 27th; in France Exxon held 6th place, IBM 14th, Mobil 19th, Honeywell 24th; in Canada General Motors occupied second place, Ford 4th, Gulf Oil 6th. Texaco 7th, Chrysler 16th, General Electric 28th. Of the 850 largest capitalist firms 37 were subsidiaries of transnational corporations. Almost all these subsidiaries are owned by U.S. firms. TNC production abroad has reached such proportions that 32 foreign subsidiaries are to be found among corporations with a turnover of more than $1,000 m. The value of sales made by General Motors' and Ford's subsidiaries in Canada is now greater than those of British Leyland and BMW of West Germany. In electrical industry the West German subsidiary of IBM is bigger than Olivetti (Italy) and ICL (Britain), major electric companies in their own countries.[20]

As the monopolies have expanded their operations in other countries, their foreign subsidiaries have changed from being dispersed autonomous units into an integrated intra-corporate system bound together by production, research,

financial and trading ties. General trends in the development and interdependence of the various subdivisions of TNCs are reflected in the structure of their sales.

The foreign trade turnover of a transnational comprises both the export of goods from the base country (traditional export business) and sales of foreign subsidiaries. In turn the trade conducted by TNC subsidiaries in another country comprises local sales which are not transported across national boundaries and thus do not form part of that country's exports and goods exported to third countries and to the base country. A considerable part (more than a quarter) of foreign trade done by TNCs is made up of intra-corporate deliveries between enterprises located in different countries. This kind of analysis of the structure of trade shows clearly that its different constituents do not have an identical impact on world capitalist trade as a whole nor on the foreign trade of individual countries. In order to solve the methodological problems of defining this impact it is necessary to ascertain the economic nature of the goods produced and sold by TNCs.

One of the problems is connected with the character of intra-corporate exchange and its place in world trade. The Soviet economist P. Khvoinik has put the question correctly: To what extent "exchange activities among subsidiaries of a single corporation, located in different countries, may be viewed as international trade in the generally accepted meaning of that term".[21] We share his opinion that the object of this trade is often not a commodity, while intra-firm sales

as part of technological cooperation can not be fully equated with traditional exports or imports.

Intra-firm trade occurs when the seller trades with himself, when seller and purchaser are one and the same person. Nothing essentially changes even if sales are made across national frontiers since this is merely a formal act for a capitalist commodity. Marx frequently stressed this fact in his writings. He showed that a product only becomes a commodity in the process of market exchange, on its transfer from one owner to another. It is through being exchanged at a price that the social value of something that has been produced is revealed and its usefulness and necessity for society shown. All these components are missing within the TNC structure. A product entering into intra-firm exchange does not change ownership. The production of a certain quantity and quality of goods is decided beforehand and is destined for a particular consumer. In this case exchange is effected not on the market but according to an established plan as part of the intra-firm division of labour. And the product is sold at so-called transfer prices which are set fairly arbitrarily and are only partly aligned with world market prices.

A transnational which exports a considerable portion of its raw and semi-processed materials, parts and components to certain consumers (its own divisions in many different countries) thereby removes these goods from "pure" trade. It should be noted that all intra-firm deliveries, including those intended for resale by foreign affiliates, drop out of foreign trade since they display all the attributes mentioned above and they only become

a commodity when they are sold by the subsidiary and not when transferred from the parent company. Consequently the market mechanism ceases to regulate the flow of a huge mass of products at the level of the private monopolies not only within a particular country but internationally as well. This serves as yet another striking piece of evidence of the further disruption of commodity production and exchange under imperialism.

Another problem is directly linked with TNC commodity production which forms an integral part of world trade. The question here is whether the value of goods produced at foreign subsidiaries should be included among the exports of the base or of the host country. Definition of the foreign trade position of a capitalist state depends on the answer.

Both labour and the substance of value become international within the TNC framework. The socially necessary labour expenditure creating this value is carried out in the geographically scattered "plants" of the giant transnational "enterprise". The value of a particular commodity is affected by a whole number of production factors. The particular function of a transnational is its ability to carry on the labour process creating value behind national frontiers while leaping over them. As a result there occurs an internationalisation of all the elements of production used by one and the same monopoly. They are international in origin: the technology may come from the United States; raw and semi-processed materials from the developing countries; buildings, machinery and plant may be made in Western

Europe; while the financial resources flow partially from the United States but chiefly from foreign countries. The final product is made by combining material resources pooled together from different parts of the world usually with labour from just one country. On the other hand, the location of a TNC's industrial enterprises is also internationalised, i.e. the gradual stages of manufacture may take place at factories in different countries on the basis of specialisation and co-operation within the corporation regardless of state frontiers. Among the mass of goods produced by TNCs the factors of production lose their national "birth marks" for they have become the vehicle of internationally produced value.

A certain level of development of trade, commodity circulation and commodity production in general laid the basis for the formation of capital and the subordination of production to that capital. A significant level of development of international trade, the world capitalist market and the division of labour among capitalist countries laid the basis for the emergence of transnational firms. In the postwar period production ties within the capitalist world economy became extremely widespread and this increased the interdependence of its separate parts.

To an important extent transnationals level out differences in production conditions in different countries, in the level of national productivity and in the structure of costs. These differences cannot however be abolished completely. Thus the internationally created value of each separate commodity within a TNC tends to a large extent towards the particular national conditions of

production and conditions for the exploitation of wage labour. Because of this it is statistically correct to include the output of foreign subsidiaries in the export of countries in which the transnational commodity is given its final form.

Before turning to a more concrete analysis of TNC activities, there is still another important methodological problem to be looked at. It can be formulated as follows: what impact does the internationalisation of economic operations within a single corporation have on the national identity of the capital it controls? This problem is directly connected with the nature of the TNC and its political-economic characteristics.

The emergence and development of the transnational phenomenon is shaped by the interweaving of capital from a number of countries, indicating the international socialisation of production. In principle the concept of the international interweaving of capitals presupposes the existence of companies of different nationality, a certain uniformity of these companies and their capitals and a coming together of their activity.

The organisational combination of companies and their capitals from different countries is based, firstly, on take-over by a transnational from one country of firms in other countries and their conversion into its own property as fully controlled foreign affiliates; and, secondly, on the merging of two or more national companies into a single corporation which is international corporation as regards the scale of its operations and multinational as regards its control. Either the capital of the firm that has been absorbed becomes part of the capital of the TNC that has

purchased it or different national capitals merge with each other in roughly equal proportions. Both the absorption and the merging processes combine capitals from different countries. There results not only the organisational combination of the capital-owing companies but also a single general circuit of different national capitals.

Moreover, TNCs attract loan capital for financing their operations from banks, the state, and international capital markets in the countries where their subsidiaries are located. While taking advantage of the capitalist international division of labour, they constantly seek cooperation with companies from many different countries in the field of production, research, and finance. They subordinate formally independent small-scale producers of the inputs they need for their business and even some dealers. Finally, they set up joint ventures in which they hold a number of the shares together with foreign monopolies.

As a result of this type of relationship a close interdependence arises between different circuits of transnational capital and the firms and enterprises connected with it. An international corporation can only function if it manages to attract and employ abroad foreign capital and foreign companies. In this case the movement of capital belonging to a TNC remains formally independent and control over it remains in the hands of capitalists of a single country. Nevertheless, in its different phases it grows close and *merges* with the movement of capitals from other countries. This is evidence not of the *organised* unity of different nationally-owned companies but

of the unity of the *movement* and *circuit* of the capital owned by these companies.

Joint ownership of shares on an international scale had already occurred in the early days of imperialist development and is not connected with a particular sphere of investment of capital. It could occur, has occurred and is even now occurring in trade, banking, and industry. The interweaving of industrial capital belonging to different countries at all its stages and in all its functional forms, as distinct from a common ownership of shares, has, however, only become feasible with the emergence and spread of the TNCs. Ties between different national capitals have only become stable and enduring in production and circulation because TNCs have set up their own industrial complexes which operate in many different states. The interweaving of capital not on the basis of control or the common ownership of shares but on the basis of associated production and economic activity is especially typical and characteristic for TNCs, especially American ones. This implies the functioning of closed economic complexes on an international scale in which the capitals of many countries are pooled together under the control of a single corporation.

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Chapter Two

GLOBAL INVESTMENT STRATEGY

The internationalisation of all phases and functional forms of the circuit of capital and a struggle for a share not only of product markets but also capital and labour markets in many different states are both characteristic features of transnational corporations. A new type of international monopoly began to take shape as the export of functioning capital increased and the giant corporations expanded their foreign ties with local firms and credit and financial institutions. It is not simply based on an absolute quantitative increase in production abroad. The concentration of by far the greater part of U.S. TNCs foreign trade turnover in the hands of their affiliates reflects deep-rooted qualitative changes in their foreign operations. Their enterprises and affiliates located in many different countries are incorporated as major specialised production units into the intra-firm division of labour which is no longer confined to a single state but develops and becomes more extensive regardless of national boundaries. At the same time the requirements of internationally organised production have led to a growth of their research and financial operations abroad.

Certain new features of the foreign economic activities of capitalist monopolies have emerged

only over the last ten to fifteen years—a greater degree of product diversification overseas, better use of the advantages offered by the international division of labour through general specialisation and cooperation among enterprises, growing transfer of R & D work to design offices and laboratories abroad, and the financing of foreign operations virtually without the use of parent-company funds. At the same time these are all new means of struggle for the economic partitioning and re-partitioning of the world which is a typical TNC trait.

INTERNATIONAL MOBILITY OF CAPITAL

Transnational corporations are a typical product of the period of finance capital which, as Lenin emphasised, "is particularly mobile and flexible, particularly interknit at home and internationally, and particularly impersonal and divorced from production proper".[1] TNCs first developed on the basis of an interweaving of capitals from different countries at all stages of the circuit of capital and the internationalisation of its accumulation and investment. The unusually high degree of capital mobility has become a characteristic feature of TNCs which distinguishes them from previous international monopolies.

Formerly monopolies, while retaining the bulk of their investment capital in their own countries, concentrated their overseas investments in literally only a few places where they had located their foreign operations. With the emergence of the TNCs the situation changed considerably. Firstly, the amounts of capital exported grew immeasurab-

ly. Secondly, the proportion of foreign investments in the overall total increased. In the case of many TNCs it has reached half and even more. At one and the same time they disperse their capital in different countries, showing no strong preference for any one. And yet the size of their investments is so large that their affiliates are numbered among the largest firms in their host countries and have a considerable impact on the development of the local economy.

Moreover, the capacity of present-day monopolies for a mobile relocation of capital enables them to go primarily for highly profitable investment areas. Under the impact of the scientific and technological revolution this means the most developed countries and regions of capitalism and advanced science-intensive industries, since it is in these areas and sectors that there is fast access to technological innovations and their effective application in production. The TNCs locate the bulk of their foreign investments in the industrialised capitalist countries and dynamic sectors in order to increase their product diversification. By the mid-1970s some fairly clear new trends had begun to emerge in the concentration of production by the international monopolies. Under postwar capitalism the concentration of capital and production did not only take the form of larger-sized production units. Its principal form was the concentration of an ever wider and more varied group of factories within a single major combine. The practice of running a monopoly had shown that the degree of company diversification had become one of the key conditions for ensuring competitiveness. For the TNCs this process is linked with

penetration and consolidation in new sectors of a foreign economy.

Certain questions naturally arise in this connection: how and by what means is the international structure of linkages established within a TNC, and what relationship exists between national and foreign operations within the same company? With regard to production these questions concern the effect that the level of TNC diversification in the United States has on the sectoral investment of capital abroad, and the principles that are adopted in locating its enterprises in different parts of the world. The monopoly domination of international corporations depends closely on inter-sectoral expansion and the choice of preferable areas for the organisation of production in a number of different countries.

Competition and the inter-sectoral migration of capital as described by Marx was characteristic of pre-monopoly capitalism. As a result of competitive struggle, capital flowed from less profitable to more profitable industries. In this way there was a tendency for the rate of profit on capitals invested in sectors with a different organic composition to level out and for an average rate of profit to be formed on a national scale. By concentrating vital factors of production which form the basis for a monopolisation of the market and the extraction of monopoly superprofit, the monopolies have substantially modified both the law of average profit and the general movement of capital between sectors. One of the most important signs that this was happening in the postwar period was the dispersion of monopoly capital and the diversification of production. The capitalist corporation

reached such an enormous size that it became possible for the inter-sectoral migration of capital to develop within its confines. Whereas previously individual capital (meaning capital belonging to a private or joint-stock company) "moved" intact from one sector to another, nowadays capital belonging to a single corporation may be invested simultaneously in many different industries.

Beside this inter-sectoral relocation, capital "flows" abroad in vast quantities, to the most varied parts of the world. On this point the Soviet economist Yu. Shishkov has noted that differences in regional rates of profit underpin this geographical dispersion of capital within a *single* industry.[2] Indeed, the level of the organic composition of capital, the rate of surplus value and aggregate production costs all continue to differ depending on the climatic, natural, socio-economic and political conditions in the various countries and regions. The differences are greater in extractive industries and agriculture and less in manufacturing industries, but they always exist for one and the same international corporation. The foregoing analysis has shown that divergencies between the rate of profit on investments in the United States and on those abroad have practically vanished but this does not alter the persisting difference in regional (national) rates of profit.

Transnational expansion is not, however, limited to intra-sectoral flows of capital between countries and regions. In fact, profit rates in *different* sectors in *different* countries (regions) diverge more than those within a sector. In this case differences in the level of the organic composition of capi-

tal are predetermined by two sets of factors: on the one hand, by the conditions of production in a particular sector (extent of mechanisation and automation, newness of technology, scale of application of innovations) and, on the other, by natural and climatic and socio-economic conditions. The simultaneous operation of both these factors explains why capital tries to exploit *inter-sectoral* differences in profit rates at the international level. As a result the flow of capital between sectors within national boundaries is supplemented by the inter-sectoral migration of capital across state frontiers.

TNCs have become the main vehicle for these interconnected processes because their increased size has made possible the intensive and multilateral transfer of capital on an international scale. Through product diversification within a single country the monopoly corporation has merely "extinguished" the differences between profit rates in different industries. By taking advantage of the most profitable conditions for its investments wherever its enterprises are located, the TNC levels out geographical as well as sectoral divergencies in the rates of profit. What relationship exists between diversification and the export of capital in the managerial practice of the largest American companies?

The French expert on foreign investment, G. Bertin, has studied the activities of 139 companies (of which 111 were American). His purpose in writing his book was to find out what changes had occurred over a five-year period (1963-1967) in the policy of these firms towards expanding their operations. He noted that the

most common situation was one in which no decrease could be observed either in the company's overseas expansion or in its degree of diversification.[3] The results of Bertin's analysis are as follows (we give data only for U.S. firms): 19 firms held the same position in 1967 as in 1963, i.e. their capital was not transferred either abroad or into different industries; 32 firms had developed during these five years primarily as a result of expansion overseas; 26 firms registered an expansion of their foreign operations alone, without any inter-sectoral transfer of their capital. The majority of these firms were completely undiversified but two of them were highly diversified. Twenty-three companies diversified their production inside the United States more than they transferred it abroad. Finally, 6 companies used both forms of expansion to a differing extent.

Thus in the mid-1960s it was much more typical for American corporations to transfer their production abroad than to penetrate new sectors of industry. Over a half of the firms studied were geared to foreign expansion. During this period they were actively transformed into transnationals whose production was sited throughout the world. It is an interesting point, however, that Bertin regards diversification within a country and the expansion of foreign activities as different, alternative directions for the growth of a monopoly corporation. In fact, in the case of many U.S. companies product diversification at home preceded their emergence as transnationals and served as its basis. The facts and figures given below indicate that, on the whole, the ex-

port of capital by American TNCs is accompanied by the inter-sectoral investment of capital inside the United States. The expansion of production abroad and the diversification of operations at home are not an obstacle to each other for present-day supermonopolies. Such a combination of investment tendencies is only feasible for a very large firm with enormous financial resources. It is not therefore surprising that only representatives of the "elite" of private monopoly business can enter the TNC ranks.

According to the above criteria there are three linkages between a TNC's domestic and foreign production operations (Table 8). Firstly, the growth in the international activity of a corporation is closely linked with the level of diversification of its domestic production. Multi-sectoral companies are far more active in their efforts to establish themselves abroad. Out of 162 U.S. TNCs (all of them included in the *Fortune's* list of the top 500 firms), only 26 were specialised companies. At the same time 71 firms—the largest group in the list—made investment in many different branches of industry.

Secondly, a definite relationship can be traced between the kind of production activity carried on by a TNC inside the United States and outside it. Specialised corporations restrict their investments to a single industry even on an international scale. They include primarily TNCs which manufacture computers (IBM, Honeywell, Control Data, Burroughs, National Cash Register) and various electronic goods (Texas Instruments, Fairchild, Motorola, Zenith). On the other hand, firms which have a clearly inter-sectoral

distribution of capital go in for intensive diversification of their overseas operations. For example, International Harvester manufactures abroad construction equipment, various types of tractor and excavator, lorries, diesels, spare parts for agricultural machinery, and iron castings. The nature of a TNC's foreign investments reinforces and strengthens its production bias within a national economy.

Table 8

Product Diversity of U.S. Transnationals in the United States and Abroad (number of firms)

Domestic Product Diversity	Total Number of Firms	Classified by foreign product diversity		
		None	Low	High
None	26	26	0	0
Low (several products with one major)	65	28	37	0
High (many products but none major)	71	3	31	37
Total	162	57	68	37

Source: J. Stopford, L. Wells, *Managing the Multinational Enterprise*, Basic Books, Inc. Publishers, New York, 1972, p. 37.

Thirdly, U.S. TNCs are less active in penetrating completely new sectors of industry abroad than they are in the United States itself. Only 37 of the 71 highly diversified corporations had a similar indicator of inter-sectoral expansion abroad as they did at home. Of the 65 corporations with a low level of product diversity again only 37 ventured outside a single industry abroad

while the remainder developed only specialised production there.

Consequently, the geographical expansion of the investment sphere has not so far led to any increase in the level of product diversification by the largest U.S. corporations. For the majority of them inter-country differences in profit rates within a single industry remain the important factor. This does not, of course, exclude the possibility that some TNCs may operate abroad in industries which they do not operate in in their home country. Thus, Du Pont has started up the production of electronic couplers which it does not make in the United States in the Netherlands, Britain and Taiwan, besides manufacturing various types of chemical goods in its foreign plants. The Firestone Tire and Rubber Co. makes textiles and metal goods in a number of countries while the Goodyear tyre company makes chemicals. On the whole though such examples are rather the exception than the rule.

It should, however, be stressed that diversified corporations are much more likely to cross over national boundaries than firms with a more limited range of products. The fact is especially important in connection with the point of view put forward in economic writings that monopolies have recourse to foreign expansion because they cannot diversify their operations in their base country.

Diversification and the export of capital are not only interconnected as a means of eradicating differences in profitability. They also represent different ways of solving the problem of the over-accumulation of capital which confronts the

large corporations. On this point, it is particularly important to emphasise that this problem has now to be solved not only for the whole of social capital. The specific feature of the present stage of monopoly concentration and the internationalisation of production lies in the fact that diversification does not abolish the need for foreign investment for *individual* capital, for the *individual* corporation. The TNCs have succeeded in combining the export of capital and its intersectoral migration into a single flow and have merged them together, thus partially solving their problem of over-accumulation. In this way capital tries to overcome the restricted boundaries of its own self-expansion which persist even in giant. global monopoly combines.

The diversification of TNC production undoubtedly reflects the rapidly growing international mobility of capital. It occurs as part of their overall strategy and takes shape under the impact of both long-term factors and short-term motives. This is strikingly obvious in present-day forms of mobility—the "desertion" of production and disinvestment of capital.

"Desertion" means the transfer abroad of whole sectors of industry as well as a part of the production of certain corporations. The developing countries and the less-developed parts of Western Europe (Portugal, Greece, Southern Italy, Malta, Cyprus) are the recipients of the traditional industries which are no longer profitable in the industrialised countries (clothing, textile, footwear, bottling industries). The TNCs also transfer to these peripheral areas of modern capitalism enterprises producing labour-intensive

components for advanced-technology industries, assembly factories, and polluting metallurgical and chemical plants.

This "desertion" of production is underpinned by TNCs desire to use the capitalist international division of labour to their advantage and thus achieve a long-term increase in profit. The relocation of labour-intensive industries to less-developed countries with a "surplus" of labour enables the monopolies to lower the costs of production and raise their profits thanks to the use of cheap labour.

The mobility of transnational capital is also apparent in the policy of disinvestment, the withdrawal of some investments through the closure or sale of existing enterprises. This disinvestment process has become a new factor in sharpening the antagonisms of contemporary capitalism and increasing the unevenness of its development.

Clearly, monopolies continually close down firms and enterprises which cease to be compet-

Table 9

Establishment and Disappearance of Foreign Affiliates of 180 U.S. TNCs (average annual total*)

	1951-66	1967-69	1970-72	1973-75
Newly established	456	954	801	563
Disappeared **	50	256	266	279

* At the end of 1950 there was a total of 2,196 affiliates.
** Excluding affiliates which disappeared as a result of mergers.
Source: J. P. Curhan, W. Davidson, R. Suri, *Tracing the Multinationals*, Ballinger Publishing Company, Camb., Mass., 1977, pp. 19, 166.

itive or to respond to the new techno-economic conditions and they make no exception for their foreign operations. The 1970s have witnessed an unprecedented intensification of this process which has primarily affected TNC investments in the industrially developed countries.

Investment policy over the last decade shows a number of special features. Firstly, there has been a significant increase over previous years in the number of disinvestments. Secondly, there has been a drop in the number of newly established subsidiaries. Finally, arising from the first two features, there has been a steady increase in the number of disinvestments in relation to the number of subsidiaries that have been set up. The ratio for the TNCs included in Table 9 was 10.9 per cent in 1951-66, 27.0 per cent in 1967-69, 33.3 per cent in 1970-72, and as much as 49.9 per cent in 1973-75.

The same trend is confirmed by a survey which covered 432 of the 500 largest corporations in the United States. The number of disinvestments a year rose steadily between 1967 and 1975, from 50 to 335. Most of them were in the developed countries: in Western Europe they increased by between 39 per cent and 62 per cent a year and in Canada by between 8 per cent and 17 per cent. Typically, U.S. investments abroad did not decline in number because of nationalisation or expropriation (which accounted for only 4-5 per cent of all closures) but because they were sold off or closed down.[4]

The following also deserves attention. In the period from 1972 to 1975, 65 per cent of all disinvestments affected firms which were wholly-

owned by transnationals. In 90 per cent of these cases the parent company's share in the foreign enterprises was liquidated in full.[5] Consequently when TNCs withdraw their investments they try to disengage themselves completely from the enterprise and transfer their capital to more profitable operations.

Capital disinvestment is undoubtedly a long-term tendency in TNC activity and has a serious effect on the capitalist economies since it causes a redistribution of investments from some countries and sectors to others and thus causes further disproportionality in the world capitalist economy. Even bourgeois economists, drawing on their own research and business opinion, note this fact with alarm. "The businessmen we talk with," observed the president of the American consultancy firm Booz, Allen and Hamilton International John B. Rhodes, "see what is happening in Europe as more of a long-term trend. I think we're definitely seeing a downturn from the tremendously active rate of investment of the 1960s."[6]

Monopolies from all the capitalist countries have begun to disinvest their foreign capital. Over the period from 1967 to 1975 as a whole U.S. TNCs liquidated 30 per cent of their gross investments in the EEC countries, while EEC countries liquidated 26 per cent of theirs. In Belgium two-thirds of all disinvestments were made by companies from other EEC member states, chiefly the Netherlands which accounted for half the total number of cases.[7]

The transnationals are able to switch their capital to more profitable areas of activity with a

fair degree of mobility. This explains why the disinvestment process is chiefly marked by a restructuring of the TNC itself: by the transfer of investments to the principal dynamic sectors and the "squeezing out" of traditional, non-research-intensive lines of production from their operations in industrially advanced countries.

The TNCs owe their rapid growth primarily to the development of technologically advanced, research-intensive industries in the industrialised part of the capitalist world. In the latter part of the 1970s the trend towards the concentration of capital became significantly stronger in those sectors of industry which have been most affected by the scientific and technological revolution. Most closures of subsidiaries in Western Europe took place in metal manufacturing, textiles and leather, footwear and clothing, food and drink, and fertilisers. Among others General Foods, Gulf Oil, W. R. Grace, Goodyear Tire and Rubber Co., and Reynolds Metals have all cut their investment programmes. In Belgium 40 per cent of all disinvestments in industry were concentrated in the textiles and clothing industries and 30 per cent in the metallurgical and metal manufactruring industries. British and West German subsidiaries withdrew respectively 70 per cent and 55 per cent of their total investments in industries engaged in the production and processing of metals.[8]

Relatively few subsidiaries have been sold in science-intensive industries such as various branches of mechanical engineering, computers and electronic goods, and pharmaceuticals. Transnationals which operate in these industires have

considerable advantages over firms in traditional lines of production in maintaining their competitiveness.

Thus, in a number of countries monopolies with help from the state are exerting pressure on General Electric to compel it to increase the proportion of share capital held by local partners in enterprises producing technologically advanced and complex goods (diesel locomotives, electro-generators). General Electric for its part is trying hard to avoid this because, if these kinds of goods are produced in joint ventures, they are inevitably associated with a flow of information, the sharing of technical secrets and, consequently, a loss of monopoly advantage.

The position held by the company strengthens the broad-ranging multi-sectoral character of its operations. "Most of our overseas affiliates produce a full line of G. E. products," commented its manager of international strategic planning C. Springer. "So when the local people ask us for more ownership, we are prepared to split up the company, if need be, giving the locals the low-technology products, while retaining effective control over the more advanced ones. Five years ago, most U.S. multinationals would have treated the entire local enterprise as an indivisible entity. Today that approach is no longer possible or profitable."[9]

This is a notable admission by the manager of one of the largest U.S. corporations since it reflects the changes that have taken place in overall TNC strategy and their retreat from a strict policy of maintaining 100 per cent ownership. While accepting conditions which previous-

ly were regarded as absolutely unacceptable, the principal international monopolies nevertheless try to find room for manoeuvre. They are able to "pay off" the local capitalists and take a share of ownership only in those enterprises which produce simple or technologically obsolete goods. TNCs which produce a standard product (for example, Phelps Dodge Copper which makes metal goods) are compelled to reduce their number of shares in a subsidiary in response to the demands of participant countries. By concentrating the production of research-intensive goods in their hands, the TNCs are thus able to keep foreign countries to some extent dependent on them in the field of technology.

Changes in the socio-economic and political situation in West European and other developed capitalist countries have a very tangible impact on TNC activities. The proletariat makes broad use of new forms of class struggle, showing a growth in international solidarity. The strike movement is activated in response to the TNCs anti-working class and anti-trade union policy. In Britain, for example, the number of strikes and the number of working days lost at foreign-owned transnationals is $1^1/_2$-2 times greater than in nationally-owned firms.

Thanks to the coordinated struggle of the working class on an international scale and solidarity strikes and disputes the transnational monopolies are far less able to employ such specific methods of exploiting the workers as lock-outs and the transfer of orders from plants on strike to other countries, sharp wage differentials or the refusal to recognise trade unions. "The

high wages with actual or potential restrictions on management's freedom to hire and fire workers, are discouraging U.S. foreign investments," estimated vice-president of Sperry Rand A. Moccia, "while at the same time encouraging local firms to move to the U.S., where the labor climate is much more congenial."[10]

The fight for the democratisation of state and society and for restrictions on the power of international monopolies which is taking place in a number of West European countries has created an unfavourable investment climate and a resulting reduction in TNC operations. Bourgeois observers have remarked how unnatural it is when a slowdown in corporate expansion in Western Europe appears in the form of a mass flight of capital. In 1976-77 U.S. subsidiaries in Italy, France, and Spain reduced their expenditures on plant construction and equipment by an aggregate total of $150-200 m. in comparison with 1975.[11]

The trends in TNC investment policy are on the whole determined by long-term factors. It is however extremely important in describing these trends especially their specific impact on the situation in bourgeois countries to note such an important factor as the world cyclical crisis of the mid-1970s which, despite its short-term nature, has had a profound influence on the whole course of capitalist reproduction. The contradictions that exist between the criteria of profitability and the global efficiency of transnational activity and national interests and measures of state regulation have become particularly evident during this period of crisis. It is also important to explain the role played by this latest crisis because of its spe-

cific characteristics compared to previous postwar crises.

Previously when the economic situation has become much worse, the international monopolies have tried to use to their advantage the well-known asynchronism of different phases of the cycle in different capitalist countries. As soon as there were any signs of overproduction, a rise in interest rates, or a credit squeeze in a particular country (or group of countries) where their subsidiaries were located, the TNCs offset their losses by expanding their business operations in countries which were still experiencing an upsurge of activity. By adapting to the changes in the world economic situation through shifting their investments and altering the volume of production and sales in different parts of the capitalist world, they maintained their overall profitability and competitiveness at a high level, at the inevitable sacrifice of certain subsidiaries' interests.

Because it hit the main centres of imperialism synchronically, the 1974-75 crisis restricted the TNCs room for manoeuvre and their ability to transfer orders from one country to another or to switch currencies and profits in the way they have become accustomed to do. They were forced to adapt to the changing situation by getting out of low-profit industries and running down factories in many, chiefly West European countries all at the same time. They began to step up the relocation of their business activity in the United States, which had passed through the crisis more easily and quickly, and in the developing countries. In 1976, for the first time in a decade U.S. subsidiaries in Western Europe not surprisingly cut their

production expenditures by 11 per cent over the preceding year.[12] Real outlays were much lower in view of the galloping inflation that occurred in the 1970s.

It is also important to note that the crisis exposed the weakness of even the giant capitalist corporations if they had fallen behind in applying the new technology. The case of Chrysler mentioned in the previous chapter is striking from this point of view.

At a time of inflation, a worsening energy crisis and changes in the nature of consumer demand for cars Chrysler continued to produce large expensive models. It was very slow to increase R&D expenditures on developing new low-petrol-consumption models which responded to new market demands and accorded with the government standards introduced in the 1970s. It was only in 1978 that two new mini-models were launched but it was already too late. The corporation was on the verge of bankruptcy due in no small part to the unhappy situation in which its overseas affiliates found themselves. In fact its British company virtually collapsed and was only saved because the British government gave it subsidies.

By the end of the 1970s Chrysler's losses reached a record level of roughly $1,000 m. The number of unsold cars mounted up to a value of $700 m. In order to improve its financial position the Chrysler management began to curtail production and initiate mass redundancies: two major plants were closed down in the United States and 30,000 workers lost their jobs.

In an attempt to salvage what it could of its business, Chrysler took the extraordinary step of

selling off practically all its foreign affiliates. It now has factories only in Canada, South Africa and Peru. Its other subsidiaries were all bought up by Peugeot-Citroen in Britain, Volkswagen in Brazil, General Motors in Venezuela and Colombia, and Mitsubishi in Australia. Once it had liquidated most of its enterprises abroad which accounted for up to 30 per cent of its total sales and profits, Chrysler ceased to exist as a transnational corporation. The basic reason for this was its loss of competitiveness because of its poor use of technology, although the final push was given by the crisis after which the position became critical. After it had received a large injection of finance from the U.S. government, Chrysler managed to avoid total collapse but its record shows that corporate expansion which is not backed up or only poorly backed up by new technology now entails enormous losses for the whole of society.

The crisis measures taken by the TNCs hit the national economies much more than the individual corporations. The greatest number of affiliates (581) of the 432 American firms previously mentioned were closed down in the two crisis years of 1974 and 1975. They comprised 38.2 per cent of all affiliates sold or closed down over the period 1967 to 1975.[13] While in 1971 3.3 affiliates were set up for each one closed down, in 1975 only 1.4 new affiliates were established for every closure.[14]

The TNC policy of disinvestment during the crisis caused a far greater reduction of investment in the economy and a growth of unemployment in a number of countries than was true for national companies. Thus, in Belgium 45 per cent of

the drop in investment and employment in foreign firms over the period 1960-77 occurred in 1975 and 1976, while in the case of Belgian firms the figures were 31 per cent and 26 per cent respectively. The majority of jobs were lost in Dutch and American firms.[15]

Attention should been paid to those industries which suffered the highest levels of unemployment. The Dutch companies sacked workers chiefly in the textile and clothing industries while American firms cut jobs in the food, drink and tobacco industries and in textiles and metallurgy.[16]

The specific task of transnationals is to ensure that the latest technological innovations are applied in industry through the international mobility of capital. This is mainly done by concentrating on science-intensive industries which serve as the technological base of TNC development. In the United States TNCs account for about two-fifths of the shares and over 85 per cent of the sales of companies in these industries. The very largest of them, however, have also established their R&D centres abroad alongside their production plants. As a result, their global investment policy is fully integrated in regard to production and science and technology.

Their tremendous financial resources enable the TNCs to maintain a high level of R&D expenditure in both absolute and relative terms, i.e. as a percentage of total sales. In 1981 as few as 26 firms out of the top 100 transnationals in the United States spent less than 1 per cent of their turnover on R&D. In 36 firms the percentage ranged from 1-2.9 per cent, in 21 from 3-4.9 per cent, and in 17 it was 5 per cent and more.[17]

The relative size of the R&D budget is extremely high in the case of 20 leading U.S. transnationals (see Table 10). In almost all of them it is higher than the 1981 average of 2.0 per cent for all private U.S. firms. All those firms included in the table have a production bias towards research-based products.

The new technology can be used most effectively only on the basis of the international intracorporate specialisation and cooperation of production. This requires a continual expansion of foreign manufacturing investments and an intensification of intra-firm linkages. This explains why there is a direct relationship between the level of R&D expenditure by companies and the scale on which they export capital. According to the British economists P. Buckley and M. Casson, the level of R&D activity increases a firm's "multinationality" or the share of overseas production in the total by an average of 7 per cent.[18] For research-intensive firms the index of foreign content (the ratio of companies with a high level of foreign sales, shares, and profits—25 per cent to the total number of firms in the industry with a turnover exceeding $1,000 m.) far exceeds the average index for all giant corporations which equals 40. In pharmaceuticals it equals 94, scientific instruments—83, and general engineering—54.[19]

The TNCs seek not only to ensure a high level of investment in R&D but also its active transfer to plants, design bureaux and laboratories abroad. Out of a total of 141 companies of which 107 are American, 25 per cent carry on R&D work in between 5 to 10 foreign countries, and more than 50 per cent of them in between 2 to 4 countries.[20]

Nowadays most new technology can only achieve the required economic benefit if it is applied on an international scale. A monopoly corporation strives to reinforce its dominant positions in world markets by setting up its own research centres and laboratories abroad and drawing on the material and intellectual resources of different countries. In the final analysis the transnationals' global investment policy has strengthened the connection between the growth of international production and the intensification of R&D work.

Table 10

R&D Expenditures as a Proportion of U.S. Transnationals' Turnover, 1981

Firms	Total R&D Expenditures $000 m.	Percentage of Turnover
General Motors	2,250	3.6
Ford	1,718	4.5
IBM	1,612	5.5
General Electric	814	3.0
Du Pont	631	2.8
Exxon	630	0.6
Eastman Kodak	615	6.0
Xerox	526	6.1
ITT	503	2.9
Dow Chemical	404	3.4
Honeywell	369	6.9
Hewlett-Packard	347	9.7
Sperry	337	6.2
Minnesota Mining & Manufacturing	306	4.7
Johnson & Johnson	283	5.2
Merck	274	9.4
Procter & Gamble	253	2.2
Chrysler	250	2.3
International Harvester	245	3.5
Deer	240	4.4

Note: Ranked according to total R&D expenditures.
Source: *Business Week*, July, 5, 1982, pp. 58-72.

Development of the intra-firm division of labour is accorded a central role in the general strategy of transnational corporations. It is aimed at selecting the best places for locating enterprises abroad and combining the various elements of production on a global scale. TNCs differ from previous multinational and present-day national monopolies because they take account simultaneously of economic conditions in many different capitalist countries in the course of expanding their production. While using the international division of labour in their own interests, they make a very active impact on it.

Marx regarded the social division of labour as an unceasing process in which the various spheres of human activity first appear and then "separate off" and become isolated one from the other and in which a particular section of the population specialises in a particular kind of activity. He distinguished three basic types of division of labour: general, particular and individual: "If we keep labour alone in view, we may designate the separation of social production into its main divisions or *genera*— viz., agriculture, industries, etc., as division of labour in general [im Allgemeinen], and the splitting up of these families into species and sub-species, as division of labour in particular [im Besonderen], and the division of labour within the workshop as division of labour in singular [im Einzelnen] or in detail."[21]

The determinant factor in the internationalisation of economic affairs at various stages of world social development is sometimes the first, sometimes the second, and sometimes the third type of

division of labour. Thus, prior to the period of imperialism international ties affected only the sphere of exchange and developed mainly by means of the world market which at that time was chiefly connected with the development of the general and to a certain degree the particular division of labour. The export of capital by capitalist monopolies also bound national economies together through production linkages. It served as the economic means for assisting the international spread of capitalist relations of production. In the pre-monopoly period, as Lenin observed, colonies were drawn "into *commodity* exchange but not into capitalist *production*. Imperialism changed this. Imperialism is, among other things, the export of *capital*."[22]

The growth of TNCs gave rise to a dominant tendency for production and technological linkages to develop within the world capitalist economy. The productive forces of capitalism reached a level of development at which not only the general and particular, but also the individual division of labour became restrictive within national boundaries. Modern capitalism draws both industrialised countries and former colonies into the individual division of labour through the transfer of separate links in transnational production.

Production units belonging to the same corporation but located in different countries are turned into the "workshops" of a single giant enterprise. Through this type of specialisation the monopolies internationalise the economic development of the capitalist world. At the present stage the individual division of labour not just of a single enterprise but of a giant monopoly com-

bine has become the determining factor in this process.

As a result the intra-corporate and the international division of labour which differ in their socio-economic nature intersect and are as if superimposed on each other. This creates an entirely new situation in capitalism's world economic relations.

Under capitalism the international social division of labour is "a spontaneous and *free* division within society taken as a whole, a division of labour which reveals itself as the production of exchange values"[23] and occurs between nations and between sectors and sub-sectors of the economy of all capitalist states. It is chiefly marked by spontaneity, the singling out of particular countries as independent producers of a certain type of output, and the commodity nature of separate types of production.

Marx's distinction between the social and the manufacturing (technical) division of labour forms the basis for defining the nature of intrafirm linkages and their relationship with linkages between countries: "... In spite of the numerous analogies and links connecting them, division of labour in the interior of a society, and that in the interior of a workshop, differ not only in degree, but also in kind."[24] Thus, Marx first of all singled out the technical division of labour inside a workshop—and at the present time it has developed into the intra-corporate division of labour—as an independent, separate type and, secondly, regarded it as substantially distinct by its socioeconomic nature from the social division of labour.

The intra-corporate division of labour fully

accords in its socio-economic content with the Marxist criterion of the division of labour inside a workshop. The division of labour on an international scale within a multinational monopoly no longer occurs spontaneously, as the result of separate, sporadic contacts between independent producers in different countries, but as the result of intentional policy conducted by a single economic combination of international dimension. Even though they are located in different countries, the specialised enterprises belonging to this type of monopoly are no longer nationally distinct producers. Moreover their production loses its commodity character to a significant extent and this is reflected in the high proportion (25-50 per cent) of intra-corporate deliveries in the TNCs total foreign trade turnover. As previously remarked, although exports supplied by their own affiliates in a wide range of countries cross national frontiers, they do not pass through the traditional channels of international trade.

All three types of division of labour may coexist within a TNC, most of which are multi-sectoral corporations. However, the general ownership and management of all the corporation's subdivisions and the technological unity of most of its production plants chiefly favours the development of the individual division of labour as the most promising form at the international level.

Like the national, so the international division of labour takes shape primarily and chiefly through the specialisation of production and research. Through the specialisation of their divisions and affiliates in different countries, the transnationals are able to incorporate units pro-

ducing a particular type of product and at the same time combine the various elements and conditions of production according to country, region, raw material source, etc. Capital flows abroad in search of the labour, technology, and natural resources it requires. At the same time the principles governing the specialisation of production within a TNC offer striking proof of its avant-garde role in modern neo-colonialism which strives to reinforce the developing countries' subordinate position in the capitalist international division of labour.

Although all TNCs are in some way drawn into this kind of international specialisation, they adopt different forms to suit their actual type of operation. For example, vertical integration is particularly common in the fuel and energy industries where the primary materials are extracted, processed and made into a final product on an international scale. Aluminium companies, the biggest in the capitalist world, are a good example of this general tendency in the international intra-firm specialisation of production.

As can be seen from Table 11, the developing countries account for a large share of production capacity only at the stage of extraction but for far less at the processing stage. Because the primary materials receive their final processing in the developed capitalist countries the TNCs derive the chief benefits arising from a large market, developed infrastructure, and skilled workforce. They act chiefly in the interests of maximising profit in the long term and with a view to minimising risks which may result from socio-economic reforms in the newly independent states.

Table 11

Distribution of Production Capacity at Different Stages of Aluminium Production, 1975 (per cent)

	Bauxite Extraction		Alumina Processing		Aluminium Production	
	A	B	A	B	A	B
ALCAN	9	91	55	45	93	7
ALCOA	31	69	72	28	94	6
Alusuisse	73	37	85	15	100	0
Kaiser	40	60	89	11	83	17
Pechiney-Ugine Kuhlmann	84	16	91	9	95	5
Reynolds	16	84	86	14	97	3

A — industrial capitalist countries
B— developing countries
Source: *Controlling Multinational Enterprises*, Boulder, Colo, 1976, pp. 116-17.

Today, on the whole TNCs operating in the extractive industries specialise throughout the production cycle—from the raw materials they obtain from different countries of the world, they all manufacture not only semi-finished materials but finished products as well (pipes, cables, fibres, bars, synthetics, etc.).

Vertical specialisation calls for greater use of complex, highly mechanised and even automated equipment at all stages of production and requires a small number of well-trained and qualified workers. This is why TNCs use only very small quantities of labour from the developing countries.

Product specialisation which is the second type of international intra-firm specialisation is chiefly adopted in the chemical industry and is based on the use of petrochemicals as a feedstock on

an international scale. In this industry enterprises operating a complete technological cycle in a particular country can easily be established. Under this system factories in developing countries which are drawn into the intra-firm division of labour through product specialisation are assigned the job of making simple products which are not as a rule connected with the parent company's main product line. While the most polluting industries are dumped in the developing countries, factories producing the main petrochemicals (plastics, synthetic fibres, etc.) are usually located in the developed capitalist countries. As a striking example of this, Union Carbide's West European and Japanese subsidiaries produce various kinds of plastics, chemicals and molecular filters while its affiliates in Latin America, Asia and Africa make only dry batteries, graphite and carbon electrodes, and plastic sheeting, and are also engaged in the mining and metallurgical industries.

A third type of component (operational) specialisation by transnational enterprises located in different states is prevalent in the motor and agricultural machinery industries as well as in electrical engineering and electronics. This type of specialisation rests on a common technological base for the production of parts and components and most clearly illustrates the principles of the global optimisation of combination. It presupposes multilateral cooperation linkages between different countries.

The characteristic features of component specialisation are as follows. Foreign enterprises operate in accordance with the principles of optimal allocation and use of resources and of transport

and marketing networks in order to secure the maximum profitability of the transnational as an entity. This means drawing into production those elements which can be used to greatest advantage in one particular country. The general principles governing the location of production by a TNC and its neo-colonial character appear most strikingly and tangibly in the case of component specialisation. Thus TNCs either retain the production of complex equipment, parts and components in their own countries or transfer it to other industrially developed countries. The main type of output is both capital- and research-intensive. It forms part of the final product and requires a large capital input, the latest types of materials and technology, and highly skilled specialists and workers. On the other hand, assembly work of a labour-intensive kind is now being shifted out to the developing countries. Most frequently this comprises the intermediate assembly of a complex product or the final making-up of household goods and appliances. In the first case this means electronic equipment, cars and tractors and in the second radio and TV sets and cameras.

The intra-firm division of labour in research and development, that is, scientific and technological specialisation and not just specialisation in the field of production has now become a typical feature of the present stage of TNC development. It is motivated by a desire on the part of the monopolies to increase their competitiveness, and strengthen their leading positions in the capitalist world. The intra-firm division of labour and R&D specialisation undertaken by TNC affiliates enables them to improve their efficiency and

Table 12

Export and Import Data,

Category	Vauxhall	Opel
Exports Products	Cars and trucks	Cars and trucks
Volume	37% of total Unit Sales	58% of total Unit Sales
Markets	48% of car exports and 32% of truck exports sent to Western Europe; Canada is major single export market	25% of vehicle exports sent BU to U.S., 40% to other EEC countries, automotive components sent to Mexico and South Africa
Imports	All three-speed automatic transmissions from GM Strasbourg	All three-speed automatic transmissions from GM Strasbourg; small amount of special engines from U.S.

Notes: Market percentages refer to car and truck export vol
when received at import points; Completely Knocked
Source: D. Kujawa, *International Labor Relations Management*
York. 1971, p. 137.

General Motors Corporation Subsidiaries

GM Continental	GM Strasbourg	GM Canada
Cars, trucks, and radiators	Automatic transmissions	Cars, trucks engines, automotive components
Substantial majority of car and truck production, very small number of radiators	100% of total unit production	25% of total car and truck Unit Sales, substantial amount of engines and components
Supplies approximately half of Opel cars exported to U.S., Bedford trucks export to GM Deutschland, radiators (occasionally) exported to Opel	Sole supplier of three-speed automatic transmissions to Vauxhall and Opel	Substantially all of car and truck exports sent BU to U.S., some cars sent CKD to India and Venezuela, engines and components to U.S.
CKD car and truck units from Vauxhall and Opel respectively	Special component parts from GM France	All car and truck stamplings from U.S. automotive and nonautomotive components from U. S.

ume only. CKD and BU refer to condition of units
Down and Built-Up, respectively.
in the Automotive Industry, Praeger Publishers, New

speed up the application of new technology throughout the world.

The level of efficiency of R&D work has become a particularly important problem for the monopolies because of the increasing interconnection between science and production and the changing role of science in the development of the productive forces. On the one hand, the latest developments in technology (the whole field of information technology and computers) have made possible a vast improvement in the organisation and management of the large modern corporation. Accordingly the operational frontiers of a private monopoly group have been pushed out even further and its structure and internal linkages and the scale of its production units have been optimised.

On the other hand, R&D work is stimulated by the very process of production which presents increased demands on science from the point of view of developing new materials and types of fuel, technology, and a wide range of equipment. For the multinational, especially U.S., monopolies the development of science and technology is increasingly connected with the division of labour and the specialisation of their affiliates in undertaking certain operations within the general framework of their R&D work. Typically, however, this process has in the main extended only to the industrial capitalist countries. Enterprises in the developing countries have not been caught up in the shifts that have been taking place in TNC activity in science and technology.

The following facts throw light on the growing role of foreign affiliates in R&D work and

the growing division of labour in this field. Firstly, U.S. TNC affiliates undertake all kinds of R&D work. The share of fundamental (theoretical) research in total R&D work averages 1.4 per cent which is only slightly less than the 1.9 per cent share in parent companies' R&D.[25] Secondly, there is a clear tendency for affiliates to increase their share of aggregate TNC expenditures on R&D—from 4.5 per cent in 1966 to 7.3 per cent in 1972. It should, moreover, be realised that, whereas the U.S. government finances part of these expenditures only in the case of the parent companies, their affiliates obtain only 2 per cent of their total spending on R&D from the "host" governments. If corporate funds alone are included in the calculation, which is methodologically more correct, then the share of foreign enterprises and laboratories would have been 12.6 per cent in 1972.[26] Thirdly, there is a reciprocal though unequal exchange of technology between the parent companies and their affiliates. Thus, in 1972 TNCs transferred $837m. worth of technical know-how to their affiliates and received in return $125 m. worth.[27]

R&D work is carried on both by overseas production divisions and subsidiaries and by specially established laboratories and research centres chiefly in Western Europe. In recent years they have switched from improving the consumer characteristics of goods and technical services to specialising in new product lines. For example, Ford has combined the work of its three centres in Britain and West Germany in order to standardise parts and components, improve their

quality and most importantly to eliminate duplication in developing new products.

As the international intra-corporate division of labour in R&D work becomes more extensive, foreign affiliates develop increasingly into research and production centres. They operate as part of TNC global economic strategy which in a centralised way decides the main lines of development for their research policy, functions and tasks in areas of key importance to the corporation.

Just as in production the activity of American TNCs in the U.S. and abroad is tightly organised and coordinated, coordination in the R&D field has also reached a fairly high level in a number of corporations. Plants, laboratories, design offices, and research centres abroad serve not only local output but the corporation as a whole. The innovations and technology which the affiliates have at their command are to a large extent the result of intra-firm division of labour on an international scale.

The division of labour in R&D reaches its greatest extent in specialisation in the electronics industry which produces perhaps the most important type of product for the present monopolies (telecommunications equipment, different types of computer) without which it is practically impossible to manage international corporate activity. Thus, International Business Machines (IBM) which controls about 60 per cent of the capitalist world computer market has two research centres in the U.S. and one in Switzerland as well as nine laboratories in eight countries, each of which employs between 500 and 800 scientists and experts. The new technology

and computer models are developed and launched by all the affiliates under a single programme. For example, the Paris laboratory works on developing integrated circuits, those in Amsterdam, Stockholm and Vimercate work on input devices and peripheral equipment, while the one in Greenock develops the memory for one of the models. However, some computer models, mainly those at an early stage, are developed only in the United States. IBM takes all its major decisions concerning its technological policy at its American research centre. It has a permanent cable link with Paris and through it with all its foreign laboratories.

IBM practice provides striking proof of an important feature of TNC R&D activity. It shows that the international division of labour in R&D work is an inevitable stage in TNC evolution and is objectively determined by the need to develop and apply the latest type of equipment and technology in conditions of the scientific and technological revolution. "Until 1961 IBM used its overseas laboratories to support the local market," wrote the well-known specialist on technological progress E. Mansfield. "But finding it difficult to make optimal use of these laboratories when their mission was limited in this way, the firm decided, when it developed the 360 line of computers, to bring the European laboratories into the world-wide development programme. In the case of the 360 line, which consisted of six basic computers, each laboratory, whether American or European, was given a specific mission."[28] The latest generation of computers currently under production is based on the same principles.

The practice adopted by other companies indicates that this is an increasing tendency. Honeywell commissioned a new production line for five computer models. The French and Italian affiliates developed two models. Model 64 was developed jointly by the U.S. and French laboratories though its programming devices were produced at its American and British plants. The work of coordination was done in the States.[29] The Eastman Kodak company brought together a team of a thousand experts in Western Europe and the United States to work on a new kind of super-sensitive film. A special emulsion was developed at its British laboratory, while quality control was undertaken by the French laboratory.

These practices show that the internationalisation of science has passed on to a much higher level than previously in the capitalist world. It should, however, be noted that this tendency only exists within the narrow confines of individual corporations. This gives rise to the question of how the international monopolies' R&D specialisation correlates with the development of research in the host countries?

In reality, TNC research and development activity emerges as a new kind of "brain drain" in the capitalist world. Previously scientists and engineers were enticed abroad with the main flow being from Western Europe to the United States. Although this is still important it is nonetheless an indirect means of monopolising the new technology. The acquisition of patents and licences for the latest discoveries and innovations also provides limited opportunities in this sense.

In view of current conditions the TNCs have therefore started to organise the R&D specialisation of their divisions in such a way as to have direct access to sources of innovation in a number of different countries. "...One of the reasons for our success," affirmed G. Jones, chairman of the board of directors of IBM World Trade, "is our closely integrated multinational research and development effort. We have access to overseas technology and talent through our laboratories outside the United States, and we receive a steady flow of new ideas from all over the world."[30]

The TNCs use different methods of regulating the "brain drain" in the course of R&D specialisation. In the first place they attract the best graduates from universities and colleges to work wherever they have their laboratories. At the present time only 6 per cent of those employed on R&D work in U.S. affiliates overseas are American by origin.[31] In this way, many states train scientists for work in foreign-owned corporations rather than the national economy.

Research know-how is also transferred through contacts between the TNCs and local research centres attached to universities and research institutes. For example, IBM's laboratories cooperate with Heidelberg University's oncological centre in developing equipment for cancer diagnosis.[32] Hewlett-Packard's laboratory in West Germany concentrated its research on acoustic equipment in view of the fact that theoretical work on acoustics is more advanced in Western Europe than in the United States. As in its earlier work on pulse generators it has worked in close

contact with Stuttgart University, many of whose graduate engineers work for it. Many of the instruments have been designed by graduates of Edinburgh University in its technology department.[33]

Cooperation with research centres overseas enables the international monopolies not only to gobble up know-how and talent but to utilise the host country's financial resources as well. This is done by firms taking part in state-financed projects, and through their contacts with the governments in question using the resources of local universities, research organisations, etc.

At the present time many large-scale R&D projects can only be carried through efficiently on the basis of an international division of labour. Because of this a monopoly corporation tries to overcome its narrow national base for combining research with production by setting up its own research centres and laboratories abroad, organising the flow of highly qualified foreign engineers and scientists to those centres, and using the financial and research resources of foreign universities and colleges.

Bourgeois theorists present the division of labour within a TNC as a new stage of development in the existing capitalist international division of labour and one at which the contradictions and disproportions between different parts of the capitalist world economy will disappear (sharp disparity in levels of economic and technological development, subordinate position of the former colonial periphery, despoliation of developing countries' natural resources). The limited amount of planning associated with this

new stage is supposed to help establish a new system for the division of labour and international economic linkages responsive to all nations' interests, while a "global optimal combination" within the framework established by these monopolies is presented as a prototype for the future organisation of the world economy. This view of things by the apologists for the transnationals is as false in this instance as was their deceptive and untenable "impression" regarding the elimination of capitalism's crises and contradictions as a result of the growth of monopolies.

Whether in production or in R&D work the intra-firm division of labour and specialisation between divisions can only be regarded as international in scale and scope but in reality simply express a trend towards the application of new technology to production which is restricted to the narrow bounds of the supermonopolies and contradicts the interests of individual countries.

Since the division of labour within a TNC is different in principle to its other types of division, one should not speak so much of the deepening division as of the deformation of present-day supermonopoly capitalist international division of labour. The TNCs are only able to develop firm and stable linkages between certain sectors of the economy, enterprises and research centres in different countries on the basis of their specialisation and cooperation. The distinctive parts of these sectors, however, no longer exist simply as parts of a national economy but as component parts of another economic entity—the international monopoly. The work carried on in the factories it has established as part of an incomplete pro-

duction cycle depends on the head offices in several capitalist states, in particular, the United States, while the countries in which these "auxiliary" enterprises are located become to some extent economically dependent on the policy of the international monopolies. Thus, the division of labour within their framework exists alongside the international, or rather the inter-state, internation division of labour and constitutes a different system which destroys the existing one.

Another crucial circumstance must be taken into account. An increasingly large share of capitalist world trade, capital exports, and new technology is taken up by the TNCs. They also control the extraction and processing of by far the major part of fuel and raw materials. This all relates to their foreign economic activity in both the industrial capitalist and the developing countries. It would therefore apppear correct to say that the capitalist international division of labour is not only and not simply deformed in the interests of the transnationals but that it is in fact they which are the determinant factor in its further development. The technical division of labour inside the major capitalist firms is changing into the social division of labour on an international scale.

The situation in the developing countries and in the industrial countries of the West has been affected by the way that the TNCs have broken up the existing system of capitalist international division of labour and relocated a number of industries from some regions of the world to others. The depth, scale and nature of this impact varies but without doubt the newly independent nations have felt the consequences of re-arranging

the intra-firm division of labour most sharply. The monopolies develop on their territory only certain branches of production which are essential to their own operations, while the national economy and, in particular, industry remain largely undeveloped or rather developed only to the extent necessary for what they regard as "key" sectors. (For further detail, see Chapter Six.)

FINANCIAL POLICY

In the 1960s the transnational corporations began to attract a steady flow of capital from different countries for financing their overseas operations. This was a direct consequence of the substantial increase in their foreign production and was due to the limited capacity of national capital markets. Even the U.S. market was no exception, since the needs of industrial corporations which had started to locate their production capacities outside the country on a massive and geographically-dispersed scale far exceeded its funding capacity. It became difficult to obtain credit for expanding foreign operations which were qualitatively different from those previously undertaken. Funds that could be mobilised inside the country for financing exporting and marketing facilities were clearly insufficient for such a broad expansion of production. This was due to increased expenditures on new technology and the need for rapid renewal of the growing stock of plant and machinery in foreign affiliates. Research work, the development and application of the latest technology, and the transfer of patents from pa-

rent companies all had a great need for large amounts of foreign finance.

Another important reason for the TNCs to start raising capital abroad was the increasing instability of the capitalist economy. This was reflected, in particular, in the weakening of the dollar as a key Western currency. When no single national currency can be obtained in sufficient quantities without the fear of a depreciation in its value, the monopolies try to use "favourable" currencies. It is much easier and simpler to do this directly on foreign capital markets by establishing close contacts with local credit institutions.

The financial policy of TNCs has been determined by the sharply expanded international dimensions of their production and simultaneous change in its nature; this policy affects all aspects of their activities. TNC strategy which is directed towards using the most profitable locations for investing capital rules out any static form of intra-firm production organisation but instead presupposes constant reorganisation and change in the courses of expansion. For this reason the TNCs not only establish factories in many different capitalist countries but also liquidate them in some places and set them up again in others. The main purpose of TNC financial policy is in fact to ensure the mobility of production through the mobility of capital, and this is largely achieved through the intra-firm mechanism for mobilising funds.

The TNCs possess colossal financial resources of their own through the capitalisation of surplus value, amortisation charges, etc., though this is true of any monopoly. The TNCs have gained privileged access to money markets throughout

the capitalist world and their power is based on the internationalisation of sources of finance for their expansion. They possess both financial power and flexibility and therefore try to control the whole process of capital formation and to ensure a quick reaction to changing circumstances for the investment of capital in any particular country.

If one wishes to understand the substance of TNC financial activity it is extremely important to study the intra-firm mechanism for moving money flows and the external financial relationships between the corporations. Financial transfers across national frontiers within the corporation are a specific kind of capital export which can best be observed in the following cases:

— the setting up of special subdivisions responsible for international financial operations;

— radical changes in the structure of financing international activity, chiefly, in the area of production;

— a new global approach to capital investment and accumulation, taking account of existing opportunities for starting up production in different areas of the capitalist world;

— the creation of a special mechanism for intra-firm allocation of investment and profit;

— the use of methods to protect TNCs from exchange rate changes, etc.;

— an unprecedented expansion of ties between the giant industrial corporations and banks in many different capitalist countries.

Present-day international monopolies, particularly American ones, have established special finance companies which are wholly owned by the

parent firm. New subdivisions specialise in mobilising funds for financing TNC operations in various countries. Medium-term and long-term funds are mobilised through the issue of loans and bonds on international money markets. The finance company acts also as investor acquiring bonds as a way of placing the TNC's liquid assets profitably. Through intra-corporate loans the finance company sends the capital that has been acquired to production affiliates abroad. It also has the task of developing ties with banks to secure better access to necessary lines of credit.

By setting up a finance company the TNC is able to concentrate a large amount of capital in one place and a significant part of its credit operations. In this way it can obtain cheaper credit thanks to lower taxation since finance companies are chiefly located in countries offering tax havens—for example, Switzerland, Liechtenstein, Monaco, the West Indies, the Antilles, the Bermudas and the Bahamas. Tax havens are a typical product of the modern international financial system of which the TNCs form an integral part. They offer low rates of tax, complete secrecy of tax records, and an almost complete absence of currency control along with complete freedom of international financial deals.

For example, Commercial Credit which is a finance company belonging to the U.S. TNC Control Data undertakes a wide range of operations but mainly credit insurance. According to U.S. classification, it is one of the largest of its kind. After it had been re-organised in 1972 it comprised two subdivisions, one of which was responsible for the long-term leasing in Western

Europe of computers made by the parent company, while the other financed investments in developing computer technology and software programmes.

In the most typical cases finance companies acquire the characteristics of commercial banks with regard both to their functions and the scale of their operations. This has been reflected in the emergence of special banking firms within a TNC structure. Banking subsidiaries have been established in Switzerland by Dow Chemical, Firestone Tire and Rubber Co. and Cummins Engine. "We have acquired so many money-market investments in the past few years that IBM is now in effect the twenty-seventh largest bank in the country," declared the treasurer of IBM World Trade, C. Townsend.[34] These banking firms' principal functions within the TNCs are to mobilise loan capital on national and international markets and to carry out currency operations with available liquid assets. As *The Banker* magazine observed, "Some companies increasingly view the establishment of a bank as a normal development for a sophisticated corporate treasurer's department—the next step on from a specialist financing subsidiary."[35]

Because many TNCs have subdivisions which are practically indistinguishable from banks, they enjoy greater mobility of capital and can undertake their own expansion more effectively. Moreover, their top managers have control of substantial cash balances. Owing to the international scale of expansion it is particularly important to have rapid access to the necessary funds and to be able to redistribute them freely from one place to

another. Clearly, the existence of banking firms within the TNC structure does not make their ties with the banking monopolies redundant. On the contrary, as we shall see, these ties become stronger and more extensive. Nevertheless the emergence of finance companies and banking firms with a broad range of functions is evidence of a tendency for the TNCs to develop into international financial and industrial complexes and for their financial as well as their purely production activities to assume a truly international dimension.

Beside the organisation of their financial operations, the means of financing their overseas activities is an important part of TNC policy. They attach enormous importance to this question of sources of finance. "We get an annual operating plan each year," C. Townsend stated, "which shows for the next two years how much money the countries are going to need and where they are going to get it from... Then we work out a financing plan that sets out whether they'll get the money from the USA or whether they will borrow it locally."[38]

The present structure of financing gives a vivid indication of the cosmopolitan origin of capital invested abroad. It comes from a variety of sources: transfers from the parent company; reinvested profits and depreciation funds of foreign subsidiaries; loans and credit obtained in the host countries; funds raised on the international capital market. From the point of view of the TNC management, however, all these funds divide into two kinds: those that come from the base country and those that are mobilised abroad. This unusual

financial way of thinking in contrast to the traditional way of dividing funds into those that are internal and external to the company expresses exactly the global, "anational" approach adopted by the TNCs to capital accumulation and the securing of financial resources.

In practice, in the early stages TNC subsidiaries abroad receive most of their funds for developing their activities from their parent companies. This may be done either by the purchase of shares by the parent company in its subsidiary or by providing credit. This in fact entails the export of capital in its "pure form", that is, as a flow of funds from the exporting country, but as the scale of international activity increases and the number of subsidiaries grows, TNC financial policy begins to change.

The British economists M. Brooke and H. Remmers have found that in the 1960s 15 per cent of the foreign subsidiaries of 187 American TNCs transferred no dividends at all, while a further 10 per cent made only one such transfer each. Practically all of them were new and fast-growing.[37] This is an indicator that the foreign subsidiaries had gone over to self-financing primarily through the capitalisation of their own profits.

Brooke and Remmers cited similar figures for 115 foreign subsidiaries in Britain which financed 18 per cent of their investment out of parent-company funds, 61 per cent from their own resources and 21 per cent from loans and bank credit raised abroad.[38]

The above data show changes in the proportionate sources of foreign direct investment. Previously, in the early decades of the 20th century

Table 13

Financing of U.S. Foreign Subsidiaries (per cent)

	Funds coming from USA		Own funds		Funds raised outside USA	
	1977	1978	1977	1978	1977	1978
All sectors	17	15	66	64	17	21
Manufacturing	16	17	62	63	22	20
Oil	20	19	72	76	8	5
Mining	9	10	91	90	—	—*

* Less than 0.5 per cent.

foreign investments involved the export of capital from one country to another. As the TNCs developed there was a rapid growth in another component of capital export—the reinvested profits of the foreign subsidiaries themselves. This is confirmed by the following data: between 1950 and 1981 U.S. companies increased their foreign direct investments by $216 billion, but of this sum only $57 billion was exported from the United States, while $122 billion were reinvested profits.[39] This change has come about because a considerable proportion of capital exports has turned into a shifting of monetary funds within a small number of supermonopolies. Because of the rapid growth of TNC production in many different countries, this production has itself become source of colossal capital resources for financing it.

Not only have the TNCs increased the scale of their accumulation and investment of capital simultaneously in a great number of countries but they have also set up a complex system for shift-

ing their funds from some subdivisions to others which helps them to cope more successfully with the task of financing their global operations. The international movement of funds within a TNC which has become a specific form of capital export is effected in various ways. Direct foreign investments are made through setting up new enterprises or acquiring shares in existing foreign firms, short-term loans and trade credit are extended, and managerial services, know-how, and technology are handed over. All subsidiaries receive intra-corporate loans and credit in the form of money loans, advances or deferred payments for goods supplied from the parent companies. The foreign subsidiaries in turn transfer dividends to the parent company (they account for no less than half the total amount of capital repatriated to the USA by TNC affiliates), payment for goods supplied, equipment, patents and licences, royalties, and interest payments on loans and credit. The terms on which all these transactions are made are centrally determined within the TNC. In recent years control over the intra-corporate movements of funds has been transferred from the parent company to specialised finance companies, as mentioned above.

The new approach to investment and accumulation gives concrete expression to the growing dimensions of the intra-firm circuit of capital and the opportunities that exist for shifting it. Instead of putting together a package of different projects in various countries, the TNCs analyse and forecast a whole set of questions: the economic and socio-political stability of a particular country or even region, the possible capture of

new markets, conditions for carrying on R&D work, the strength of the working class and its trade unions, the alignment of political forces, etc.

The process of capital accumulation undertaken by a TNC is different to what it was under the old monopolies. Previously the different elements of the international monopolies acted independently of each other. This was also true of the international trusts and even more so of the international cartels whose members were independent national companies. The development of the TNC gave rise to a close reciprocal tie-up between the activities of the numerous enterprises belonging to the same monopoly firm but in different countries. As a result, the emphasis has shifted from ensuring the profitability of each individual enterprise to maximising the company's profits as a whole. This has brought in its wake a change in the role of affiliates in the process of TNC accumulation. In the old multinational monopolies the parent company played a central role by contributing the major share of total profits and providing affiliates with the capital they required. In the TNC shifts have occurred in the direction of capital flows. It is now the foreign affiliates which have acquired major significance as an active source of funds for head office. Between 1950 and 1981 U.S. foreign affiliates transferred about $220 billion to the USA and received only $80 billion.[40] It should also be remembered that TNCs have to a considerable extent reorientated their profit flows to finance companies in countries which offer a favourable tax climate.

Besides regulating their profit flows the TNCs practise transfer pricing on a widespread basis. This particular mechanism of price formation consists in fixing an intra-firm price for a good or service in settling accounts with subsidiaries. As a result of using transfer prices, the TNCs themselves increase the financial resources of their subsidiaries which are engaged in exporting by raising prices and shifting funds to the importer by lowering them.

It is not possible to assess the exact scale of transfer pricing by the TNCs for lack of satisfactory data which they do everything possible to conceal but some rough estimates can be made. For example, a mere 10 per cent price rise* on goods transferred between U.S. TNCs and their overseas enterprises (they amount to about $65 billion) would raise a sum of money in excess of their annual dividends.

The methods used in regulating profit flows and transfer pricing are not in practice independent of each other. Transfer prices are actively manipulated in order to transfer profits from one subdivision to another whether it belongs to a parent company, subsidiary or associate. Besides raising or lowering prices the TNCs also practise a method whereby they take a different base year for evaluating the assets and liabilities of their foreign affiliates. In this case stocks of raw materials, semi-finished goods and final products may be written down and remain as hidden reserves.

* Not infrequently TNCs raise prices by more than 100 per cent, so that the 10 per cent distortion is only a minimum.

Moreover many TNCs secretly own foreign affiliates whose activities are not recorded anywhere. They also make different estimates of production costs and profits for their enterprises in different countries depending on their commercial and tax legislation.

There are a number of methods by which TNCs can protect themselves from currency losses arising from changes on world currency markets and use these changes to their own advantages. The following are the principal methods used for this purpose: hedging—the conclusion of fixed-term deals for the sale of weak and the purchase of strong currencies; leads and lags—payments made either ahead of time or with some delay; the conclusion of long-term contracts containing currency stipulations; self-insurance—the creation of reserve funds from previous differences in exchange rates.

Previously exchange rate variations affected monopolies only with regard to their attempts to protect themselves from possible losses. Today, however, because they possess reliable information and good room for manoeuvre, the TNCs try not only to avoid possible losses but to obtain additional income from purely currency operations. Although the latter is nothing other than currency speculation, the supermonopolies themselves describe them as "sensible precautions" to ensure equivalence in international accounts.[41]

The reasons for manipulating profits and undertaking currency speculation are varied: tax avoidance, concealment of profits and reserves from governments and trade unions, secrecy of information from competitors, overcoming ex-

change rate fluctuations, escape from weak currencies, and insurance against possible losses in the event of nationalisation. All these reasons are fairly important, for they indicate the high degree of international mobility of capital at the present time. TNC practice has far outdistanced the theory and practice of state regulation in capitalist countries. Their various manipulations are only feasible because of the continuing absence of unified statistical data regarding the main financial operations of companies in the various capitalist countries. Nor is there any real harmonisation of tax legislation which could stem the transfer of TNC funds to countries enjoying a low level of taxation.

However important all these reasons, they are still connected in some way or another with the extraction of additional profit directly in the fields of commerce and distribution. The TNCs chief interests lie however in the field of production and their need to secure a flow of funds for expanding output is the deciding factor in their manipulation of capital. In this connection such reasons as maintaining a high level of self-financing, financing future R&D projects which are increasingly undertaken in foreign affiliates, and compensation for losses made by subsidiaries are of prime importance. The growing demand for capital to ensure continual international expansion serves as the main reason for the development of this intra-firm mechanism for transferring financial resources on an international scale.

TNCs achieve a high level of centralisation of the financial funds belonging to their constituent

firms and a flexible mechanism for raising their own funds. Despite this, they constantly feel the need to attract capital from outside sources. The considerable expenditure entailed in establishing large-scale specialised production abroad in tune with the testing requirements of the scientific and technological revolution has led to the widespread use of banking and other financial institution funds. The changed character of foreign operations has given rise to a merging of industrial and banking capital. The internationalisation of production has made short-term finance less important for foreign undertakings and medium- and long-term funding more important. This explains why the TNCs develop long-term and stable contacts abroad not only with commercial banks specialising in short-term credit but also with banks that offer a wide range of services.

The development of TNCs has caused a change in the role that banks play in the internationalisation of their financing, since they are now required to provide them with large sums of money in any currency, for any period of time and from different sources, and to give them expert advice. In order to be able to do this the banks have to be sufficiently large, own a wide network of foreign branches and be experienced in handling international operations. This enables them, if the need arises, to join up with other transnational banks to form consortia capable of financing the expanding production of major industrial corporations.

The TNCs establish firm ties with foreign banks and the overseas branches of banks from their own countries wherever they have subsidi-

ary enterprises. Spokespersons for such firms as IBM, British Leyland, Olivetti, Siemens, British Petroleum and many others point out that their corporations use the services of practically all the major American and West European banks as well of a number of major Latin American, South African and Asian banks. In some cases the number of banks with which permanent links have been made runs into several dozen or even on occasion hundreds as in the case of IBM or Siemens.

A notable feature of this link-up between TNCs and their banks is the fact that banking funds are attracted to each of the countries where TNC affiliates are located. Banking consortia play an increasingly important role in meeting TNC requirements. They not only provide funds for investment but also do the necessary groundwork for proposed mergers in the same way as banks at the beginning of the century performed this task for industrial monopolies of the time. At the present moment more than 30 of the 50 major banks in the capitalist world belong to consortia which are now beginning to specialise in different sectors of the economy and different areas of the world.

The internationalisation of banking operations occurs not only through the expansion of overseas production but also the development of new relations with industry on an international scale. One such new phenomenon is the setting up of specialist groups by the largest banks either at head office or in overseas branches to cater for the needs of the TNCs. According to D. W. Vollmer, vice-president of the Bank of America, this

organisational innovation is due to the fact that "the international production of goods and services, rather than traditional export/import trade," is "the main focus of these world businesses."[42] In 1970 the Bank of America set up a multinational division with the task of developing global contacts with certain TNCs. Its policy was primarily geared to promoting the programmes of U.S. companies.

American banks have begun to serve their clients in different countries on the basis of a single strategy. The Bank of America has gone further than the rest in this respect thanks to its multinational division. "Our primary aim is to provide the multinationals with the most efficient and economical banking services obtainable in each of the countries in which we both operate. As finance is progressively centralized by international companies, such local attention becomes particularly beneficial."[43]* Thus the growth of TNC operations and changes in their manner of financing led to an even greater intermingling of banking and industrial capital in the world economy. The banks no longer simply carry out foreign transactions but conduct their clients' affairs from a global position. Services are provided by those banking divisions which can do this most efficiently. For example, the Bank of America serves the affiliates of one U.S. TNC in 33, and another in 64 countries, in each of

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* In 1974 the former multinational division became part of the Bank's North American division and its functions were assumed by the new division for world banking operations.

which it has its own office. On the other hand the directors of the Bank believe that corporations which operate in only 2 or 3 foreign countries in which the Bank itself is represented may be better served by its U.S. branches.

There is some evidence that another major American bank (which is not mentioned by name) is setting up a number of specialised banking divisions in various places owing to the needs and the growth of international big business. Thus, in London it conducts its operations through three major divisions: the Corporate Banking Division, the Retail Banking Division, and the Treasury-Administrative Division. The most important aspect of the activities undertaken by the first division is the existence of separate specialised sections which cater for corporations operating in different industries: petrochemicals, transport, mechanical engineering (from automobiles to electronics), mining and metallurgy.

Thus, obviously this internationalisation of the activities of U.S. banks meets the financing needs of the industrial TNCs. This is due to the active re-organisation of the banks' overseas empires, which strengthens and reinforces their ties with the major companies which produce on an international scale. Thus the Bank of America's specialised division serves virtually only those firms which belong to the top 500 American and 200 foreign companies.

Moreover, the overseas expansion of TNC production has prompted them to establish contact with local banking institutions. While their American banks handle a number of important matters such as their current accounts, share

transfers and not just in the United States but abroad as well, the TNCs use foreign banks to obtain and place loan capital in other countries. The Banque Nationale de Paris gave General Motors a loan to build an automatic transmissions factory outside Strasbourg. Japanese banks have lent IBM $300 m. and have placed shares for General Telephone and Electronics in Japan. The placing of American TNC shares by foreign banks shows that the latter do not restrict their business solely to making loans, as is also shown by the fact that they pay out dividends on TNC shares in their own countries. Major banks in Belgium, the Netherlands, Italy and Luxembourg have made dividend payments on International Harvester shares in Brussels, Amsterdam, Milan and Luxembourg.

Besides raising money through bank loans and the placing of their shares by banks, the TNCs make active use of the short-term and long-term Eurocurrency markets. This is a major international capital market free from control by national financial institutions. Its most typical feature is the "anational" character of its money flows.

The British company ICI raised a third of its long-term loans on the Eurocredit market. Its vice-president for financial affairs stressed that in practice ICI relied on three money markets for its long-term financing: the British market, the Euromarket and the American market.[44] The Italian company Olivetti follows the same practice in raising money on the Italian market, the Eurocurrency market and the markets of countries in which its affiliates are located. The eco-

nomic adviser to Baring Brothers & Co. Ltd. W. Manser has estimated the share of Eurofinance in overall TNC funding at 10 per cent.

The banks play an extremely important part in the expansion of the TNCs, in no way limiting themselves to the handling of purely technical auxiliary operations such as the conduct of the current accounts of individual industrial companies. Their moves to set up special multinational divisions catering for their clients wherever they have their affiliates, their conduct of a wide range of operations, their organisation of international banking consortia are all proof of their increasing role in the global expansion of the TNCs and the merging of banking and industrial capital on an international scale.

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Chapter Three

THE MECHANISM OF EXTERNAL ECONOMIC EXPANSION

The transnational corporations have an advantage over their competitors largely because of the greater socialisation of production which is also apparent in their more effective system of control over all areas of economic activity. They are thus better able to utilise different forms of struggle for markets, raw material sources, extremely favourable conditions of production and the latest technology. For the TNCs problems of control are primarily connected with the structure of their foreign assets and the proportion of share capital necessary for conducting their policies. In addition, their monopoly regulation and expansion of their sphere of influence depends on subordinating the production and technology of their overseas divisions. The forms and methods of economic domination which are initially applied in the home country are developed and modified abroad.

Foreign operations have now lost their formerly limited importance in the struggle for overseas markets and have become a vital factor which to a considerable extent determines a TNC's overall position not only as regards sales but also in all its other areas of activity. Foreign affiliates and enterprises have become a power-

ful source of capital accumulation, technological innovation, and external funding. Hence the need to create a special mechanism of expansion.

The extensive network of external economic domination has evolved in various ways. On the one hand a network of wholly-owned subsidiaries which in turn have their own subsidiaries has been set up. On the other hand mixed affiliates comprising TNCs and local investors have been established among which joint ventures have become increasingly widespread in recent years. The TNCs have also had recourse to various types of inter-monopoly agreements and alliances including cartel-type agreements.

WHOLLY-OWNED AFFILIATES

The principal TNCs, especially the U.S. ones, have a long-term and stable policy of ensuring that the majority of their overseas affiliates are owned 100 per cent. To a significant extent the TNCs achieve domination in the capitalist world economy, as they do inside their own countries, by exercising effective control over their subsidiary divisions through taking a major share of their capital. Most frequently because they surpass their local competitors in economic potential and the spread of their "essential" linkages both at home and abroad, many American TNCs strive hard to eliminate any impact that host countries may have on their operations. If a TNC does not own all the shares in its affiliate, then foreign governments and private firms can have some influence in deciding its production and technological specialisation, working conditions

and level of employment. TNCs impose their own methods of production organisation, negotiations with trade unions, and social policy which often differ from accepted practice in the host countries.

The structure of ownership of TNC subsidiaries abroad and the decision regarding full or partial ownership of their shares are directly related to the character of their production, technological, financial and marketing activities. The existence of this type of interrelationship characterises the formation of a TNC's overseas network and provides evidence of the degrees of mobility enjoyed by monopolies in their external economic expansion and their adaptability to a variety of different circumstances in order to achieve their aims. If a foreign affiliate can help resolve the tasks confronting a corporation only if it is 100 per cent owned, then this is what the TNC will try to ensure. It should be emphasised that this is simply the basic trend of policy which in no way excludes the simultaneous establishment of affiliates comprising joint ownership.

No less than 60 per cent of all affiliates set up each year by U.S. monopolies in the 1960s and early 1970s were wholly owned.* This is still approximately the case, although the proportion may vary considerably in some countries.

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* In 1967 64.9 per cent of 187 U.S. TNC affiliates were wholly owned, of which 67 per cent in developed countries and 60.6 per cent in developing countries.[1]

Table 14

Foreign Manufacturing Subsidiaries of 180 U.S.-Based Enterprises Classiffied by Ownership Patterns (per cent)

Ownership Pattern	In Industrial Countries	In Developing Countries
Wholly-owned (95 per cent or more)	72.5	52.6
Majority-owned (50-94 per cent)	18.2	26.6
Minority-owned (5-49 per cent)	8.4	19.8
Unknown	0.9	0.9

Source: R. Vernon, *Storm over the Multinationals*, Harvard University Press, Camb., Mass., 1977, p. 34.

The optimal location of production units which helps to ensure that the very best local conditions are exploited in producing a certain type of output has become a factor in the monopoly position of a TNC. This explains why full control over the operations of foreign affiliates is mainly secured by companies which coordinate production on an intra-firm basis. The chief aim of their international activity is to strengthen the specialisation of enterprises in different countries on the basis of a single technological cycle. This is particularly characteristic of corporations producing electronics, computers and motors, where different national enterprises are integrated into a single complex under an extremely strict scheme of specialisation and coordinated deliveries. The incorporation of different links formed in partnership with foreign shareholders into this

kind of production chain may disrupt its steady flow and undermine a TNC's established monopoly. The TNCs are continuously rationalising production through changes in the direction of linkages between their subdivisions and at times in their product lines. These changes of production profile are connected with a fall in profits, a cut in the size of the workforce, etc. A TNC can and does undertake such changes in the interests of achieving the best organisation of the production process and the one that is optimal at any particular stage at an international level in order to expand the market and increase future profits. A mixed enterprise necessitates observance of the interests of other entrepreneurs and joint control over enterprises, which seriously restricts a TNC's rationalisation strategy.

Mixed ownership creates substantial problems in managing TNC enterprises and particularly in subordinating them to its global objectives. In their report to a group of UN experts on TNCs, G. Johns and J. Maisonrouge* defined the problems of coordinating their company's international operations as one of the most important reasons for IBM's policy of securing 100 per cent control. J. Maisonrouge stated directly: "There is the way we optimize our resources by world-wide product development and a world-wide product line manufactured in plants specialized by product. Every IBM computer system is designed in several laboratories around the world

* G. Johns was chairman of the board and J. Maisonrouge was president of IBM World Trade Corporation in the early 1970s.

and manufactured in several plants. Trying to fit this kind of product into subsidiaries with shared ownership raises all kinds of management-control problems."[2]

The requirements of tight management essential for organising production are a feature of a whole number of American transnational monopolies among which IBM, General Motors, International Harvester, RCA, Honeywell, Burroughs, Motorola, and Zenith particularly stand out. These companies try harder than the rest to avoid any kind of partnership in their overseas affiliates or at least to strictly limit it. Usually these TNCs fix a lower limit of 90-95 per cent ownership which makes any participation by investors from other countries purely nominal. Moreover, 100 per cent ownership is usually backed up with considerable financial reserves and the capacity to find sufficient funds for setting up new or acquiring existing foreign enterprises.

The organisation of R&D work is closely related to the structure of production inside the international corporation. American TNCs vary considerably with regard to the proportion and the general direction of this work that is done abroad. The high level of expenditure on research and development constitutes yet another important reason why so many TNCs strive for 100 per cent ownership. The data in Table 15 which show the clearly observable correlation between these two aspects of TNC activity are extremely illuminating in this respect.

Thus participation by local capital in TNC affiliates decreases significantly as R&D expenditure rises as a proportion of sales. Typically foreign

Table 15

Ownership Pattern of U.S. Multinational Subsidiaries and R&D Expenditure

Ownership Pattern	R&D Expenditure as a Share of Total Sales (per cent) less than 1.1	1.1-3	3-5	5 or more
Wholly-owned subsidiaries	32.0	45.4	54.5	66.8
Majority-owned subsidiaries	44.0	33.0	28.3	21.7
Minority-owned subsidiaries	24.0	21.6	17.2	11.5

Source: J. Stopford, L. Wells, *Managing the Multinational Enterprise*, Basic Books, Inc. Publishers, New York, 1972, p. 120.

participation falls not as the result of an absolute increase in TNC investment in research but in response to its relative growth. In the case of mixed affiliates the U.S. monopolies try to limit research expenditures as much as possible as an essential part of their strategy both at home and abroad.

As a rule, a considerable part of expenditure on research work is devoted to creating completely new products. Because of this the TNCs monopolise the latest technological findings, technical innovations and inventions and their application in production. In such cases they share their privileges with no one but try hard to preserve and protect their secrets for as long as possible in order to strengthen their positions. The transfer of technology or the use of technical innovations in mixed affiliates always entails a leakage of information and thus a loss of monopoly advantage. A

close and dependent relationship can be observed in this case between TNC policy in regard to ownership and their system for transferring technology abroad. Wholly-owned affiliates are much better suited to the initial use of new technology abroad and they are therefore given priority in the establishment of supernational empires.

IBM presents the most striking example of a company whose policy of 100 per cent ownership is linked with its level of R&D expenditure. It is one of the few leading U.S. TNCs which has no mixed affiliates in other countries (the shares of all its affiliates are owned 100 per cent by IBM World Trade). It not only has an exceptionally high proportion of R&D expenditure to sales but also a high proportion of it abroad. Moreover, this expenditure is not directed towards adapting products to local markets or improving their technical properties but to creating new production models on an international basis, which incorporate the best achievements of world research experience.

The necessity of pursuing a single marketing strategy is an important factor explaining why some American TNCs give priority to affiliates without foreign participation. Markets retain their prime importance for TNCs despite the fact that nowadays about a quarter of their foreign trade turnover is made up of intra-firm deliveries. It is only when a corporation emerges on the world market that its products acquire social recognition, i.e. that their competitiveness is tasted, and consequently its methods for the international organisation of production are proved effective or not. The marketing activities of a TNC somewhat re-

semble the actions of the infantry in an advansing army—the opponent's territory will not be seized until it has advanced and reinforced its position. This is not a casual comparison. An agreed marketing policy has to be implemented in order to develop a company's production according to a single plan in a number of different countries. After all, the production of goods abroad, particularly through specialisation and coordination, presents a company with very different tasks in regard to sales than do traditional exports. It becomes necessary to decide where to sell the output of each affiliate, the terms of delivery, after-sale services, and the supply of spare parts and components. Finally, by selling its output on the world market a TNC can to some extent fix arbitrary prices for intra-firm deliveries. Transfer pricing makes it possible to raise or lower the accounting price of production costs and thereby improve the mass of profits of each affiliate. All these reasons for standardising a TNCs marketing programme in effect makes a partnership in an affiliate's share capital inappropriate.

The complexity of domestic and foreign accounting systems increases a TNCs desire to have absolute control of its overseas empire. Although financial links and management make it perfectly feasible to have subdivisions with mixed capital, this creates considerable difficulties for the corporate accounts. If an affiliate is wholly owned this guarantees a uniform accounting system and freedom of manoeuvre using different forms of account and this enables a corporation to switch its funds speedily from one country to another and to "withdraw" its profit from a high-tax regime, which is

particularly important in times of exchange fluctuations and inflation.

Although a TNC's efforts to secure full ownership of foreign affiliates' share capital is not a goal in itself, objectively they are aimed at ensuring and continually reproducing its international monopoly in all its various aspects. The key links (holding companies for overseas operations, financing and credit provision, principal enterprises, research centres and laboratories) practically always remain under the unlimited control of U.S. TNCs. This does not, however, exclude the possibility and in many cases even the necessity for affiliates with mixed share capital within a TNC.

MIXED AFFILIATES AND ADAPTATION STRATEGY

In recent years the attempt by U.S. international corporations to secure full ownership of their foreign affiliates has come up against a whole number of objective and subjective obstacles. In the first place it has become obvious that virtually uncontrolled domination by the transnationals is a real threat to the economic sovereignty of many countries. Their economic practices undertaken on an international scale and exclusively in their own narrow interests (as with any capitalist combine) have caused a negative reaction on the part of various social forces in the countries where they are resident. At the same time major overseas companies have with the support of their own governments started to put up serious opposition to the foreign expansionism of the TNCs. As the most consistent and tough representatives of the new wave

of monopolistic concentration, American TNCs have come under particularly heavy fire. After all the development of transnational corporations at the start of the 1970s was related exclusively in many countries to the expansion of U.S. capital.

In the course of their struggle for economic and political independence, the developing countries are taking increasingly firm measures to introduce controls over investments by foreign monopolies and to restrict their sphere of application to certain sectors of the economy. Many of them are carrying out partial or full nationalisation and expropriation of property. In the course of drawing up a common position on this question, they have put forward a programme to establish a New International Economic Order. In their latest official collective documents the countries of Asia, Africa and Latin America demand the transfer to them of a much greater proportion of revenue from the exploitation of their national resources by foreign capital, the curtailment of restrictive business practices by the monopolies, the sale of new technology on favourable terms, and the adoption of a "code of conduct" by TNCs which would prevent them intervening in the economic and political affairs of the newly independent nations. The unfavourable investment climate for TNCs in a significant number of developing countries prompts them to limit their participation in their local affiliates' share capital.

The industrial capitalist countries, too, are beginning to exercise some degree of control over the activity of foreign TNCs. Australia, Canada, Sweden and Japan have all forbidden foreign investments in certain sectors of the economy. In some

instances an upper limit has been placed on a "foreign presence" in the capital of local firms. France, Sweden, and West Germany impose controls on the acquisition of local companies by foreigners. In France foreigners are prevented from acquiring enterprises in industries that are vitally important to the country, mainly the technologically advanced and most dynamic ones. In Japan, despite a policy of liberalisation towards foreign company operations, they are in fact deprived of the possibility of setting up majority-owned affiliates.

Consequently under the pressure of many different economic and political factors a certain shift has occurred in the structure of share capital owned by American TNCs abroad.

Despite the fact that the principal tendency is still to retain a certain number of affiliates in full ownership, by the end of the 1970s the overall number and proportion of mixed affiliates in which TNCs owned less than 95 per cent of the shares had increased.

Among American TNCs the practice of setting up mixed affiliates is most widespread in chemicals and petrochemicals, rubber, and the extractive industries. In these industries overseas subsidiaries are not linked in a single production cycle and this helps the monopolies to make concessions regarding mixed participation in affiliates. Besides, these TNCs combine production on an international scale and organise the vertical and/or horizontal integration of their plants and thus in the final analysis control the whole product cycle. For example, Du Pont and Union Carbide, Goodyear and Uniroyal, Exxon and Kaiser organise the supply of semi-finished products from some of their overseas

enterprises to others on a wide scale. In contrast to those corporations which base their production abroad on cooperative deliveries and thus avoid duplication, the above-mentioned TNCs supply their affiliates from several alternative sources. This applies both to the initial stage of the production process—at the primary sourcing stage (rubber and other crop plantations, gas and oil fields, and mines) and to enterprises producing intermediate products. The most important thing for the monopolies in this situation is to gain access to sources of raw materials and to create conditions for their further processing. Because production is organised in this way guaranteed deliveries can be secured even without 100 per cent ownership. These TNCs are perfectly content to have majority-owned affiliates since they can still control the entire process of manufacturing a product—from its primary to its final stage.

It was noted above that the TNCs drive for full ownership throughout their overseas empire is rooted in enormous financial resources. Thus the inability to move such funds at all or fast enough may also become a serious factor compelling a TNC to set up affiliates with the participation of local capital. "We may not always have had the financial means to participate as 100 per cent shareholders in the ever-growing number of markets which were asking for tire technology," stated T. Fahey, vice-president of Sales General Tire International Company. "Thus, we become accustomed to the joint venture posture."[3] The lack of sufficient funds may also be due to the company's relatively small size and therefore its comparatively low revenue. The policy of the "mother" country

evidently plays a certain part here in attempting to restrict the export of capital. It is scarcely a coincidence that the U.S. government inaugurated a statutory programme regulating the export of private capital (later repealed in 1974) at the very time in 1968 when the establishment of wholly-owned affiliates by American TNCs had reached a peak.

Competition between monopolies which grows sharper with the expansion of overseas operations also pushes them into setting up mixed affiliates. Many monopolies which first had recourse to organising production abroad as the most effective means of capturing markets also enjoy much more stable international positions, especially in the developed countries. Newcomers are still able to strengthen their positions actively in the developing countries. Thus Chrysler managed to secure markets in India and Mexico by agreeing to take a smaller share of the capital of mixed affiliates than General Motors and Ford. A survey of the international division heads of 90 U.S. companies out of a total of 300 major firms produced the following interesting results: 86.7 per cent were prepared to participate in mixed enterprises, of which 71.8 per cent even prepared to take the role of "junior partner".[4]

Thus the tendency to set up mixed affiliates is shaped by a whole complex of factors. Naturally there are no precise proportions in which shares are distributed among local and American investors. In present-day conditions in which a capitalist firm, especially an American one, has a wide spread of shareholdings, a TNC often holds less than 50 per cent of the shares in a foreign affili-

ate. It should be realised, however, that even this amount secures it control of this affiliate despite the fact that its local partner can draw on the support of its own country's financing system and on assistance from its own bourgeois state.

While describing the structure of share capital it is appropriate to remark on yet another common and by now typical feature. This is the rapid growth in the 1970s of the number of joint ventures in the overseas network of many U.S. multinational monopolies. In our opinion, the reasons for the emergence of joint ventures, their form of functioning and their role for the TNCs give grounds for singling them out as a variant of mixed affiliates abroad. They are set up by TNCs through agreement with foreign shareholders, usually on the national territory of the partner but sometimes in third countries. All such joint ventures are newly established and *formally* independent joint-stock companies specially set up on *parity basis*— this is their main difference from the usual type of mixed affiliate where the proportion of shares held by a TNC varies.

There are two main reasons for the rapid growth of joint ventures set up by the multinational monopolies. The first is the current policy pursued by the majority of developing countries in regard to Western monopolies. As a rule, one of the main demands of the newly independent countries is equal participation in the capital of firms operating on their territory and an equal share of the profits. Many of them wish to restrict the domination of their economies by foreign capital in the form of "pure" TNCs but at the same time

are short of funds and technology and for this reason they promote the establishment of joint ventures, in particular by offering them tax concessions or the right to pay taxes over a long period of time and providing them with credits and subsidies and other assistance with exports. At the present stage of the developing countries' struggle for their economic independence joint ventures are a definite compromise in their relations with multinational monopolies. These countries aim to achieve equal participation in joint ventures as a way of easing the tough conditions governing their access to new technology and equipment and methods of organising and managing production. Thus the TNCs were openly compelled in the 1970s to regard joint ventures as one of the most important and comparatively less "painful" means of economic expansion in Asian, African and Latin American countries, as a means of exploiting favourable local production conditions, especially cheap labour, and as one of the means of avoiding nationalisation. The level of profitability in these relatively backward countries is so high that the TNCs are forced to reinforce their positions there even in such a restricted form as a joint venture.

The second reason lies in the need to develop the productive forces of capitalism in conditions of the scientific and technological revolution. In order to apply the numerous innovations that have principally arisen in the economically advanced regions, it is essential to combine the efforts of many countries to organise the development, production and marketing of new products and to finance the numerous stages of activity.

Thus the setting up of joint ventures abroad constitutes a particular kind of adaptation strategy by the multinational monopolies to a new historical situation, to the present-day conditions for developing the capitalist economy. Although they are a necessary measure, they present the TNCs with a number of advantages: access to sources of raw material and fuel and to an underexploited market, use of the local partner's inside information about local conditions, customs and traditions and its links with government bodies which facilitate the removal of various obstacles in the way of foreign capital in industrial capitalist countries and, moreover, use of the partner's production and research experience and facilities, its financial resources and marketing network, as well as the services offered by the local capital market where the joint venture's credit worthiness is guaranteed by its "senior" partner, the TNC.

There has been no attempt to include all existing joint ventures with American capital participation in Table 16. Instead the main aim has been to reflect the principles underlying their establishment and area of operation. The table contains joint ventures set up in various industries by leading typical TNCs.

The competitive struggle among TNCs is becoming ever sharper. Their enormous arsenal of measures and their international scale of application makes this rivalry extremely destructive in character and has a negative effect on their own position. In these circumstances the different national monopolies are increasingly obliged to have recourse to agreements and alliances, even to the extent of agreeing on joint ownership, in

Table 16

US TNCs Joint Ventures

U. S. Corporation	U. S. TNC Partners and Their Shareholdings (per cent)	Reason Established, Area of Activity
General Motors	Three Japanese firms 50 per cent	Import from USA of GM automatic transmissions and gas turbines for use in Japanese equipment
	South Korean firm 50 per cent	Car assembly from parts supplied by GM plants in Australia and W. Germany
	Two Philippine firms 60 per cent	Car assembly
	Thailand firm 49 per cent	Car assembly
	Three Iranian firms 45 per cent	Car assembly and sales
International Harvester	DAF (Netherlands) 33 per cent	Production and marketing of lorries
Caterpillar Tractor	Mitsubishi Heavy Industries (Japan) 50 per cent	Production of crawler tractors, loading equipment and engines
	Larsen & Toubro Ltd. (India) 50 per cent	Production of spare parts
Borg — Warner	Brown Boveri (Switzerland) 50 per cent	Production and sales of refrigerators and air conditioning plant
	Aisin Seki (Japan) 50 per cent	Production of automatic transmissions

Continued

U. S. Corporation	U. S. TNC Partners and Their Shareholdings (per cent)	Reason Established, Area of Activity
	South Korean firm 51 per cent	Production of back axles and transmissions
General Electric	Chicago Bridge & Iron Co., Rotterdam Drydock Co., 24.5 per cent	Development, production and marketing of nuclear reactors
Westinghouse Electric	Steag AG (W. Germany) 50 per cent	Development and production of nuclear reactors
	Creusot-Loire, Pechiney-Ugine Kuhlmann 35 per cent + shareholding in one of the partners	Production of uranium fuel for light-water nuclear reactor
	Belgian and French firms 16 per cent + shareholding in one of the partners	Production of nuclear fuel
Singer	Hitachi (Japan) 50 per cent	Production of electrical equipment, electronic cash registers and calculators
Honeywell	Two joint ventures (Japan) 50 per cent	Production and marketing of electronic equipment
Radio Corporation of America	Chunghwa Electronics Development Co Ltd. (Taiwan) 49 per cent	Production and marketing of cinescopes for black-and-white television sets
Control Data Corporation	CII (France), ICL (Britain) 33.3 per cent	Research on future production of electrical equipment, uniform standardisation of output

Continued

U. S. Corporation	U. S. TNC Partners and Their Share-holdings (per cent)	Reason Established, Area of Activity
	National Cash Register (USA) and ICL 33.3 per cent each	Development and production of peripherals
Xerox	Rank Organisation 51 per cent + two-third share of revenue	Production and marketing of copying equipment
Rank-Xerox	Fuji Photo Film Co. Ltd. (Japan) 50 per cent	Production and marketing of copying equipment and duplicators
Monsanto	Israeli firm 33.3 per cent	Construction of polystyrene plastics factory
	Mitsubishi Rayon Co. Ltd (Japan) 50 per cent	Import and sale in Japan of Monsanto's synthetic fibres and textiles
Union Carbide	Fosfatbolaget Co. (Sweden) 50 per cent	Production of high-density polyethylene
	Showa Denko (Japan) 49 per cent	Production of molecular filters
Dow Chemical	BASF (W. Germany) 50 per cent	Production of organic chemicals and synthetic fibres
	Pechiney-Ugine Kuhlmann (France) 50 per cent	Production of polystyrene and saran
Goodyear	Toyobo Co. Ltd. (Japan) 50 per cent	Production of synthetic polyester fibres for tyres
Uniroyal	Imperial Chemical Industries (Britain) 50 per cent	Production of feedstock for polyurethane

Continued

U. S. Corporation	U. S. TNC Partners and Their Shareholdings (per cent)	Reason Established, Area of Activity
Procter & Gamble	Two Japanese firms 49 per cent	Production of disinfectants
W. R. Graco	State-Trinidad and Tobago 50 per cent	Construction of ammonium factory
H. J. Heinz	Erin Foods (Britain) 50 per cent	Marketing of Heinz products
General Foods	Dong Suh Food Industries (S. Korea) 50 per cent	Production and marketing of coffee

Compiled from *Moody's Industrial Manual* (various years).

order to strengthen their positions on world markets.

The scientific and technological revolution which demands a fairly rapid renewal and improvement of output, the development of up-to-date plant and machinery, the introduction of modern technological processes, and a highly skilled workforce is another factor compelling the top monopolies to set up joint ventures. In many industries, especially research-based ones (computers, certain branches of engineering, electronics and electrical engineering, chemicals and petrochemicals) modern technology and production requirements have outgrown the possibilities of certain, even very large companies. This is due in some measure to their restricted research base and practical application and to a shortage of finance and skilled labour. Also, the commercial risk of developing and implementing many new projects

is too great. For all these reasons joint ventures have become widespread even in the case of U.S. TNCs which on the whole are more powerful than West European or Japanese ones and which generally adopt a different structure for their foreign affiliates. Many of them have only joint ventures in the absence of other types of mixed affiliates abroad. This is true of General Motors, International Harvester, Caterpillar Tractor, Singer, Honeywell, Radio Corporation of America, and Burroughs.

All these motivations bring out even more clearly the second aspect of setting up joint ventures which complement the one already described. They are set up within the structure of a TNC's overseas holdings in order to achieve cooperation in a number of spheres and represent the combined efforts of individual TNCs based in one or even several countries.

Cooperation in the field of production and in research and development form the main objectives of this type of collaboration through joint ventures. The first objective is characteristic of practically all TNCs regardless of the industry in which they operate; usually production cooperation is accompanied by collaboration in the field of marketing. In the case of chemical and petrochemical companies the joint construction of enterprises and installations for producing raw materials plays an important role. The use of joint ventures in the scientific and technological spheres is only widespread so far chiefly in electronics, computer production and electrical engineering. This is where expenditures on developing new products and the commercial risk involved in

their practical application in production are greatest. This is precisely why technological cooperation is often combined in joint ventures with cooperation regarding production and marketing as, for example, in the case of General Electric, Westinghouse Electric, and Control Data. As a result, the partners join their efforts at all stages of launching a new product on the market. The need for broad cooperation in the electronics and electrical engineering industries has led to the participation of not just one but even several partners in many joint ventures along with U.S. TNCs.

All TNCs use the joint venture type of company to strengthen their own monopoly domination, secure more favourable conditions of production, penetrate new industries or new markets, and cut the costs of creating a new product. In this way, capital tries to overcome the constraints on the self-expansion of its own value, which are limited even for a globally operating private monopoly combine. This makes it possible to form an alliance of capitalists from different countries partly in order to compete against a company which does not participate in the combine. For example, Control Data is trying to shake IBM's position on the world computer market with the help of its own joint ventures created on a parity basis.

A joint venture cannot formally be defined as a "restrictive business practice" since it is by no means always used to suppress competition. Nevertheless, as a form of long-term cooperation it becomes the basis on which new alliances are developed among monopolies including those of a cartel type.

NEW ASPECTS OF INTER-MONOPOLY AGREEMENTS

Further corporate growth and improved competitiveness on world markets has come to depend crucially on establishing supernational industrial complexes with a wide area of operation. Special emphasis must be given to the second factor, since a TNC is a type of monopoly without which a world market does not make sense. Multinational monopolies are therefore obliged, as indeed they have always been throughout the development of imperialism, to protect themselves from destructive competition through deals and alliances with similar types of company. In this situation joint ventures are not adequate to the task, since their scope of operation and number of possible partners are quite small.

As a TNC develops, a multi-faceted system of linkages and interrelationships has taken shape which permeates whole sectors of industry throughout the capitalist world economy. It is distinguished by its all-embracing complexity which, besides joint ventures, incorporates mutual shareholdings in rival companies, patent and licensing agreements, contracts between companies in different countries regarding production and other forms of cooperation without any arrangement for joint ownership and, finally, international cartels. All these types of alliance serve as an instrument of restrictive business practices, which have particularly disastrous consequences for the developing countries (see Chapter Six).

At this stage in the development of capitalism, there is an intermingling of the interests of all the leading TNCs in the principal sectors of the

economy thanks to this complex system of reciprocal agreements and alliances. At a certain stage they find it easier and more beneficial to agree to combine their efforts than to compete against each other. This in no way eliminates competition altogether but narrows its scope and reflects the way a small group of giant corporations have strengthened their monopoly positions and widened their sphere of influence. Its material basis is the organisation of production overseas by different national TNCs on the territory

Table 17

Gross-Equity Investments

Investor Company	Stock in:	Per Cent of Recipient
General Electric	AEG — Telefunken	3.7%[a]
	Toshiba	10.0%
Westinghouse	Franco Tosi	n.a
	Ercole Marelli	n.a
Unknown non-Japanese firm	Mitsubishi Japan	7.0%
Unknown non-Japanese shareholders	Sony	20.0%
ITT (USA)	L. M. Ericsson	34.0%
	Nippon Electric	n.a
	Sumitomo Electric[b]	n.a
	Pirelli S. p. A.	n.a
Unknown	ITT	6.0%
General Cable Corp. (USA)	BICC	20.0%
BICC (UK)	General Cable Corp. (USA)	21.1%

[a] GE also provides large amount of debt capital to AEG-Telefunken.

[b] Stock valued at more than U. S. $1 m.

Source: R. S. Newfarmer, *The International Market ,Power of Transnational Corporation*, UNCTAD, ST/HD/13, 1978, p. 15.

of the same countries. The chief enterprises of all TNCs are located in the USA and Western Europe.

The system of share ownership which Lenin described as the main form of domination of finance capital and which has taken on an international dimension with the emergence of the TNCs plays an important role in the structure of inter-monopoly linkages.

In electrical engineering General Electric (USA) has joint ventures with Siemens (West Germany) and Olivetti (Italy). In turn, Siemens has set up computer factories together with Honeywell (in which General Electric holds shares) and the French firm Compagnie Internationale pour l'Informatique; electrical equimpent plants with Allis-Chalmers (USA); an incandescent lamp works with General Electric; and hospital equipment, gramophone records and musical instruments factories with Philips. Furthermore, Philips and Matsushita have a joint venture producing electric batteries; Plessy (Britain) and CGE France have one that makes switching devices; and Brown Boveri (Switzerland) and Ercole Marelli have one for electrical goods. Besides taking a share in these joint ventures, General Electric, Westinghouse, Siemens, Brown Boveri, Allis-Chalmers, ASEA of Sweden, RCA, and Philips also hold licences in almost all the above-named companies.[6]

The electrical engineering industry is by no means exceptional. A similarly tight system of close linkages has developed in chemicals and petrochemicals involving the interests of the West German firms of BASF, Bayer, and Hoechst, the Swiss Ciba-Geigy and Sandoz, the Anglo-Dutch

Royal Dutch-Shell, the British ICI, the French firms of Pechiney-Ugine Kuhlmann and St.-Gobain, and the Italian Montedison. There is a similar situation in the motor industry where British Leyland owns the Italian firm Innocenti and has shares with Volkswagen in an assembly works in Kenya. Volkswagen also has common research facilities and joint ventures in Spain and Indonesia with Daimler-Benz. A significant segment of Daimler-Benz shares and BMW shares is held by the West German big business family of Quandt. Peugeot and Citroen of France have merged into a single company and own the Italian company Moderatti, and in 1978-79 bought up all Chrysler's West European affiliates. Volvo of Sweden has acquired a majority of shares in the Dutch company DAF, while Fiat and Allis-Chalmers have set up a joint venture.

The part played by cartels which at one time were the dominant form of multinational monopoly in the expansion of TNCs is of special interest. Since TNCs are not simply internationally trading companies but even more so internationally producing firms, the position held by cartels on the world arena has changed. The scientific and technological revolution has created a crisis for the classic type of cartel which predominated before the Second World War. It proved to be poorly adapted to the plant and machinery markets which now hold a central role in world trade and went against the new methods for capturing markets. The rapid growth of TNCs has hastened the decline of the classic cartel in the capitalist world economy and had a serious effect on its activities.

Cartels regulated at the international level only trade carried on by member firms which remained essentially national manufacturers. Cartel members could exercise little monopoly control over production. As a result, they had relatively few opportunities for influencing the market or studying its trends over certain periods of time. This explains why the organisational structure of monopoly combines became steadily more complicated, thus enabling them to exercise unrestricted control over all stages and areas of economic activity. As a result, both single-industry but especially diversified concerns including conglomerates were formed. This whole process which reflected changes not only in the scale but the very nature of their operations eventually resulted in the emergence of TNCs. Owing to the fact that they regulate the complete circuit of capital on an international scale these monopolies themselves help to shape and determine the markets for their goods which cover a great many countries. TNCs achieve their dominant positions as an individual monopoly and not a collective one as in the case of cartel members. In these circumstances cartel argeements can only fulfill the role of a prop, an auxiliary means of securing the objectives of a more developed monopoly combine.

The principal aim of any cartel agreement is to eliminate competition among its participants and to create favourable marketing conditions. The main ways of achieving these aims are to apportion each member a share of the market, to fix and regulate prices in common, and to arrange for the exchange of information, inventions and experience. These are the principles on which

the classic cartel which divided the world into separate trading zones was based. This was of particular assistance to its members in regulating world market sales. Since the sale of output is the final goal of any capitalist firm, a single pricing policy is still retained in use by cartel-type monopoly alliances in which TNCs participate. However, although they preserve the same aims as a classic cartel, TNC alliances have developed their own, broader and more flexible range of policy instruments.

The continuing importance of international cartel agreements is vividly shown by the fact that cartels cover between 10-30 per cent of capitalist world exports of non-agricultural output.[6] TNCs play an extremely active part in them. One of the leading cartels—the International Electrical Association—includes nine French, seven Italian, six British and six West German, two Dutch, two Swedish and two Swiss, and one Austrian, one Belgian and one Norwegian firm. U.S. TNCs do not officially belong to cartels. Nevertheless one of the above firms, ASEC of Belgium, is a Westinghouse Electric affiliate, while another has significant American participation.[7]

The chief members of the IEA—Brown Boveri, Siemens, AEG, ASEA, Ercole Marelli, and ASEC together with General Electric and Hitachi and Toshiba organised another cartel in electrical engineering. It operated in Brazil and got its members to fight outsiders through joint activities.[8] Its members were also linked together by means of patent and licensing agreements, an exchange of shares, etc.

TNCs from practically all the main capitalist

countries belong to the international cable cartel. Its practices include an embargo on investment, refusal to supply goods to potential customers in countries where producers do not belong to the cartel, refusal to supply goods on concessionary terms, for example, at minimum prices, and refusal to advertise in "outsider" countries. Its leading bodies were empowered to "check and control" the development of cable output particularly in the developing countries.

Since TNCs have production plants in many countries the cartels to which they belong are able to have a direct impact on production. The previously mentioned cable cartel intends to keep track of new investment in countries where production has not yet started up. It should be noted that its operational sections try not only to advise but also to decide in which states its members can set up factories for producing cable.[9] Thus TNC participation transforms a traditional cartel into an investment cartel and this severely reduces the opportunities available to sovereign states to produce particular goods and sell them on the world market.

The cartel methods used by TNCs are by no means new but have long been used to suppress competition in their own countries. True, they have little in common with the principles of "fair competition" but this is no longer feasible in this age of monopolies. As the most highly developed form of monopoly a TNC combines a great variety of methods to ensure its economic domination in its domestic and foreign operations. Hence, a TNC's mechanism for expansion includes either the production or financial subordination of local

suppliers of essential goods and dealers responsible for distribution. This is also connected with the internationalisation of the stage of production in the circuit of monopoly capital. Dependent suppliers and dealers operating in the sphere of circulation help thereby to create normal conditions of production. By drawing them into their orbit of influence, the TNC obtains the necessary conditions of supply and sale made without delays and at acceptable prices as the result of eliminating competition.

The production and marketing of agricultural tractors which is completely dominated by TNCs is one of the most highly monopolised industries in the capitalist world. In the 1960s the four leading TNCs accounted for 57 per cent of total capitalist production and the top eight for 69 per cent. This very high degree of global monopolisation has enabled the giant firms to operate secret policies which are not even written down in a special agreement.

Canada's Royal Commission on Farm Machinery which made an economic analysis of this industry discovered the existence of "systematic international price discrimination". It found that wholesale and retail prices for tractors of 75 h. p. and less were on average 25-35 per cent lower in Britain than in North America. Price movements in mainland Europe were much more closely linked with fluctuations in the USA and Canada than in Britain. The Commission noted that "these price differences cannot be fully explained by variations in production costs, ocean transportation costs, tariffs, or other such factors. They are, rather, caused simply by 'a discrimina-

tory pricing policy' on the part of the world's leading firms."[10]

The American TNCs Ford, John Deere, International Harvester, Allis-Chalmers, and Caterpillar Tractor form the largest group of companies producing agricultural tractors. They all have production affiliates in Britain alongside those of Massey-Fergusson, Fiat, and Volvo. Their discriminatory practice consists in demarcating markets at both ends of the price range. Britain is where all the major tractor firms in the capitalist world produce tractors. This alone provides sufficient explanation why price movements on the British market are exceptional compared to those in other developed capitalist countries. Another important fact is that TNCs produce tractors in Britain because of their restrictive policies in regard to their own dealers and distributors. The standard contract used by Ford in Britain which is cited in the Canadian Commission's report gives some indication of this practice: "The Dealer will not export any Ford Products from the Area without the consent of the Manufacturer in writing and will take all reasonable precautions not to sell, offer for sale or otherwise distribute Ford Products to any person, firm, company or body, who or which may intend to export such Ford Products from the Area."[11]

In this way TNCs dictate their terms and achieve the practically complete subordination of formally independent producers in various countries. In doing so they draw into the orbit of their activities both marketing and production enterprises. The latter become subcontracting suppliers to the specialised affiliates of foreign

monopolies, and the dependence of small business on the monopolies assumes an international character. This is reflected in the way their production and often even their technology becomes integrated into the TNC complex. For example, Ford's subsidiary in Britain started up production of a new H series of heavy lorries. Three British firms will supply the engines, gearboxes and back axles, while the French firm Berliet will provide the cabins. Only the front axles will be supplied from Ford's American factory in Louisville.[12]

The numerous agreements and alliances whether put down in writing or not represent fairly important elements in the system of ties and dependent relationships which the TNCs spread across the capitalist world. This system which has arisen as the result of internationalising a monopoly's entire operations is primarily adapted to ensuring suitable conditions for the development of production in certain parts of the planet. Thus it is that TNCs from different countries develop their relations not only along the lines of eliminating competition and dividing up markets by means of cartels but also through production and technological cooperation, often without any form of joint ownership. For example, International Harvester's subsidiary in Britain has sold transmissions, axles and other tractor components ever since 1974 to the Swedish firm Volvo. Ford's subsidiary in West Germany exports engines to Sweden for the SAAB-Scania car firm.

Thus in order to preserve and strengthen their position the multinational monopolies combine old methods of struggle, even though they are substantially modified, with new ones which are ap-

propriate to modern conditions. The emergence of these new forms is directly linked with the whole present-day strategy of imperialism which tries to use TNCs as the main instrument for oppressing newly independent countries and as an important means of keeping them within the capitalist system and preventing them from adopting a non-capitalist road of development. The imperialist state gives a great deal of support to the expansion of private capital in the developing world.

Multinational monopolies also form a vital link in the internationalisation of technological innovations and their application in production. The significant shrinkage in the sphere of imperialist domination not only exacerbates inter-monopoly rivalry but at the same time increases the desire of the monopolies for cooperation and compels them to seek new ways of achieving it. The capitals of many different countries become increasingly interwoven through the establishment of joint ventures and production and technological cooperation. Along with other factors all this is characteristic of the present stage of struggle for the economic partitioning of the capitalist world and the unfolding of inter-imperialist contradictions.

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Chapter Four

THE INTERNATIONALISATION OF CAPITALIST EXPLOITATION

Under capitalism the internationalisation of the economy is connected with the intertwining and merging together of capitals from different countries. The operations of transnational corporations have introduced new features into this process and thus strengthened the interdependence of individual national economies. The growth of the TNCs has likewise had a considerable impact in standardising private monopoly methods of economic management and forms of state intervention in the economy, especially as concerns the regulation of relations between labour and capital. Their activities have altered the policy of the bourgeois state towards the proletariat and monopolistic practices regarding the employment of labour that have taken shape in a particular country. Managers who are specially trained by the international corporations to perform these new socio-economic duties are assigned an important role in this process.

There are at present two principledly different ways of evening out social conditions in capitalist countries. While one takes shape at the level of the state, the other is developed at the private level and finds its fullest expression in the activity of integrated groupings and international corporations. The leading institutions of the European

Economic Community try to achieve socio-economic "harmonisation" by conducting a single policy "from above". So far these attempts have not met with much success. In evening out differences in social development "from below", directly through the process of production and exploitation of the proletariat, the TNCs have been much more effective. Consequently they have achieved more substantial and long-term results. Through their painstaking work overseas over many years the TNCs have modified existing relations between local monopolies and their workforces on the one hand and the state apparatus of the host countries on the other in an attempt to arrange them according to their own model. The development of the TNCs does not change the substance of relations between wage labour and capital but under the impact of the new type of multinational monopolies their forms inevitably acquire a cosmopolitan universal character.

SUPRANATIONAL EMPLOYMENT STRATEGY

The force of the impact which the new supermonopolies have on the present development of capitalist social processes depends more than in any other sphere on the length of time they have carried on production abroad. The contradictions between labour and capital became really international in character and not just a tendency only when a large number of companies had set up a large number of enterprises in a whole number of countries. Because American TNCs have on the whole a longer history of overseas production than

West European and Japanese firms, their activities in this respect are particularly significant. Both Canada and Britain serve as examples of the consistent activity of U.S. international corporations in transforming socio-economic conditions abroad.

Canada is the biggest importer of American private capital. U.S. corporations frequently regard it as a direct extension of their own territory which is due in no small part to the inter-governmental agreement, similar to a treaty, on trade in cars and automotive products. The standardisation of labour policy by the TNCs in both countries has helped to a considerable degree to remove obstacles to U.S.-Canadian private monopoly integration, although there has lately been an increasing tendency for Canada to lessen its dependence on U.S. capital.

Britain is the second major individual area of U.S. direct investment. Despite its position on the other side of the Atlantic Ocean, American corporations are currently undertaking there the same painful process of restructuring relations between labour and capital as in Canada. Because of its severity and urgency, this problem has been accorded relatively detailed and critical analysis in British economic writings. From among a wide range of problems the present book focusses particular attention on collective employment agreements between employers and trade unions which cover key aspects of employment and working conditions in industry.

In the British system of industrial relations, i.e. in the system of relations between trade unions—employers' associations—the state, there is little effective legal control over the basic factors

in collective agreements. The part played by state intervention and arbitration is very small. Agreements between the unions and employers do not have the juridical force of contracts. They do not fix exact dates for their duration and they cover only an insignificant number of questions. Basically they lay down the amount of wages and the length of the working day unlike in the American case where most aspects of employment are regulated.

The high level of centralisation of collective agreements is another characteristic feature of the British industrial relations system. They are chiefly drawn up and agreed upon at national level: they are signed by representatives of national trade unions and employers' associations and apply to all firms in a particular industry. There are about 750 independent employers' associations which conduct negotiations for a particular industry.

As can be seen from Table 18, the employment practices of American TNC affiliates in Britain differ from those in France and West Germany. The example of Chrysler where not a single clause of a collective agreement was settled at the company level was untypical of the social policy pursued by U.S. monopolies in Britain. This was because of the traditionally weak link between the old Rootes plants which it took over, each of which operated as an independent enterprise. Chrysler's subsidiary took part in collective agreements concluded between the Engineering Employers Federation and the Confederation of Shipbuilding and Engineering Unions. Nevertheless, despite its untypicality Chrysler adopted

approximately the same standards of activity as the other American TNCs in Britain, as is evident from the example of the other two members of the Big Three—Ford and General Motors.

At Ford's agreements are concluded at company level through the Ford National Joint Negotiating Committee. This procedure is laid down in the agreement of 23 August 1955 between the company and 22 trade unions (as a result of mergers, only 18 now remain). Vauxhall adopts a similar approach but in this case the Vauxhall Joint Negotiating Committee is different to the one at Ford's: its members are district officials from just three trade unions, which significantly reduces the opportunities for workers to fight for their rights.

Many American and Canadian TNCs in Britain such as Esso, Mobil Oil, Eastman Kodak, Massey-Fergusson, Heinz, Kellog, etc., not only conclude collective agreements at plant and company level but they also do so independently of any employers' association. In their evidence to the Royal Commission on Trade Unions and Employer's Associations, management spokespersons pointed out that "the major reason for non-membership appears to be the desire for autonomy in industrial relations, so that managements can take initiatives in the introduction of innovation into labour/management relations".[1] Cosmopolitanised capital is now trying to free itself from all restraints on its operations even from alliances amongst the capitalists themselves.

In transferring abroad their own kind of relationships with the working class the TNCs have shown their independence in such an important

Table 18

Key Issues and the Levels at Which They Are Negotiated

Issue	Britain		West Germany		France
	Ford	Vaux-hall	Opel	Ford-werke	General Motors
Wage Increases	C	C	D	D	C
Wage Supplements	CG	C	D	DG	C
Vacations	C	C	D	D	G
Holidays	C	C	G	G	G
Personal Insurances	CG	G	G	G	G
Pensions	CG	G	G	G	CG
Severance (Layoff)	CG	DG	G	PC	CG
Job Classifications	C	G	D	D	C
Work Rules	PC	PCD	PC	PC	C
Grievance Procedures	C	D	PC	C	C
Employee Representation Units	PC	D	DG	DG	G
Limitations on Right to Strike	C	D	G	G	CN

Note: P = Plant-wide Bargaining
C = Company-wide Bargaining
D = District Bargaining
N = National Bargaining
G = Governmentally Determined

Source: Kujawa, *International Labor Relations Management in the Automotive Industry*, Praeger Publishers, New York, 1971, pp. 43, 104, 161.

innovation as the concluding of collective agreements of fixed duration. This type of collective agreement has been concluded in Britain by Esso, Massey-Fergusson, ALCAN, Otis Elevator, Vauxhall, International Harvester, and Chrysler. This is particularly striking because it proves that the TNCs have departed forever from the employment practices of their local acquisitions. The essential feature of this type of agreement is that for a certain period of time (usually two to three years)

workers are prevented from demanding any improvement in their working conditions. Not without reason the U.S. supermonopolies impose such agreements at a time of chronic inflation which has engulfed the whole capitalist world and which is the cause of a substantial increase in the cost of living. During the lifetime of the agreement wages are not increased in step with rising productivity and increased speed-up. This leads to a further drop in their real as distinct from their nominal value since once the agreement has run its course the workers are only able to obtain a small increase in wages compared to the steep rise in prices.

The U.S. transnationals hold an autonomous position within the British system of collective agreements not only because they have transformed the external conditions under which they are concluded (level of decision taking and duration) but even more importantly because of their serious impact on changes in the main clauses of these agreements which in the final analysis determine the position of local employees. As a result of this consciously directed influence, the structure of wages, regulation of "unconstitutional activities", production norms, procedures for introducing new norms and changing grades and rates undergo the greatest degree of change in the affiliates of foreign monopolies compared with national conditions.

The introduction of the measured daywork system is a major innovation by U.S. TNCs in Britain. It replaced the "payment by results" system used by British-owned firms which paid a standard piecework rate for the amount of work done. Un-

der the measured daywork system the daily output target is fixed beforehand for each worker whose wages depend on whether he meets it or not. On the one hand the new system does not impose strict time limits and thus allows the worker to regulate his work rhythm himself. On the other hand the level of productivity (output per worker) is laid down beforehand and thus deprives the worker of the possibility of varying his wages in keeping with his output, since the TNC pays only for the output that it needs. Without a doubt the introduction of measured daywork represents an intensification of labour compared to payment by results. Under the new system the TNCs set high output targets which are beyond the capacity of many workers.

The three U.S. automobile giants were once again the chief initiators of the more efficient wages system. The main stimulus for change lay in their need to strengthen control over wage movements and to introduce greater flexibility into output norms. Chrysler provides a good example of the consistency and determination with which the American supermonopolies implanted their own labour practices and their attempt to pursue a uniform policy in this respect. It tried to introduce measured daywork immediately after it had taken over the Rootes company, drawing on the experience of General Motors and Ford which had already instituted it in their plants. It attempted to do this without any consultations or preliminary agreement about manning the assembly line or the pace of work. As a result, its efforts ended in failure and caused a strike and opposition from the workforce to management's policy. However, the following year the directors managed to get their

own way and fell into line with the other two trans-Atlantic "innovators". The only surviving British-owned motor company British Leyland followed the U.S. transnationals when it introduced the new payments system at a whole number of its plants.

In 1972 the Office of Manpower Economics estimated that about 9 per cent of British workers were paid according to the measured daywork system. Of great importance and significance is the fact that this percentage is higher than average in those sectors with a high proportion of U.S. investments: in the motor industry it was 30 per cent, in the food industry—14 per cent and in instrument and electrical engineering—12 per cent.[2]

Nevertheless, individual, even fairly substantial innovations in the employment practices of the U.S. transnationals cannot ensure them effective control over the proletariat's struggle for its rights. The workers still retain a fair number of opportunities for using long-established forms and methods of opposing monopoly capital. Hence, the U.S. TNCs try to effect a radical change in the traditional system of reaching collective agreements in their foreign subsidiaries. In the opinion of the president of the British Institute of Personnel Management in London Jack Lee, this is due to the need of "the removal of some restrictive practice [of trade unions] known to be inhibiting productivity and therefore tending to make the company uncompetitive".[3] This quote serves as yet another example of bourgeois criticism of the anti-monopoly struggle conducted by the working class which it regards as a brake on the further development of production.

The TNCs try to introduce the type of agree-

ment which, according to their official apologists, should succeed in achieving the "common aims" of both workers and entrepreneurs. This is why so-called productivity agreements or, as Jack Lee proposes they should be called in development of his "concept", efficiency agreements are particularly widespread. M. Stewer and J. Gennard of the London School of Economics and Political Science regard them as "the major innovation in UK industrial relations during the last decade, and the foreign firms have had a large influence on this development."[4] The increase in the number of these agreements defies the traditional system of industrial relations.

Productivity agreements which are mainly concentrated at plant and company level differ in their functions from previous agreements. Whereas ordinary collective agreements principally fix various conditions of work, productivity agreements comprise a comprehensive programme for improving the organisation of production, financial incentives, greater exploitation of the workforce for the purpose of improving productivity by reducing inter-shift breaks, and shedding "excess" labour. They are bilateral agreements which incorporate mutual obligations for workers and management.

In the first place management guarantees higher wages and a shorter working week. In return the workers agree to make considerable changes in the production process over the lifetime of the agreement and to actively promote these innovations. A wage rise is often the only concession granted in exchange for the chance to undertake a far-reaching "rationalisation" of production and to increase its intensity. The employers try to

compensate by sharply increasing output which raises their profits derived from a greater increase in productivity than in wages. Productivity agreements are intended to draw workers into the fight to improve production efficiency which creates an illusion that trade unions are participating in shaping the main direction of operations at their plants. The consciousness of the proletariat is undermined by active propaganda about the solidarity of interests of bosses and workers.

By the end of the 1960s and early 1970s productivity agreements which had already been concluded by Mobil Oil and ALCAN had become common in Britain. Over 3,000 agreements covering about 6 million people or more than 20 per cent of the labour force had been registered. Their structure and functions are radically different from the usual type of collective agreements in Britain. They have not only transformed the established British system of industrial relations functionally but they have also wrought a change in the traditional role played by employers' associations.

Since productivity agreements regulate a whole host of specific conditions affecting employment at individual enterprises, they cannot be negotiated at industry level. Moreover, employers' associations which hoped to retain the existing set-up were opposed to them being adopted at company level. Consequently a whole number of U.S. TNCs (which had been members of these associations) including, for example, Esso and ALCAN decided to free themselves from unnecessary restrictions when they switched to the new type of agreement. They were soon followed

by local firms. The giant chemical TNC ICI was the first to sign such an agreement, similarly by passing the employers' association.

Owing to the obstructive policy of trans-Atlantic and national TNCs, the associations were compelled to change their attitude. In the chemical, rubber and electrical engineering industries they switched from opposition to offering assistance to member firms.

As one of their social policy aims the U.S. multinational monopolies abroad hope to impose on the working class an unfamiliar set of relationships with the capitalist employers. Not only the forms of regulating the relationships are being modified here, above all the procedure of collective bargaining, but proletariat's direct conditions of work and employment. Attempts of this kind meet a constant rebuff from the workers. For this reason the trans-Atlantic innovators have another and no less important aim of removing opposition to their policy and directing the trade unions' anti-monopoly fight along traditional channels.

In February 1969 Ford of Britain reached an agreement which fundamentally changed the wages system. It raised wages all-round by 8 per cent and increased annual holiday pay to a maximum £25 (approximately a week's wage) instead of the previous £5. Lay-off payments were introduced throughout the company. Ford agreed to pay out 10 days' wages to everyone laid off who had over 2 years' service with the company and 5 days' wages to those who had been employed between 6 months to 2 years.

While the material conditions of those in work

improved, harsh measures were taken to deal with strikes. Since at that time in Britain participation in "unconstitutional activities" did not incur any disciplinary penalties, sanctions against individual participants in unofficial strikes and other forms of workers' struggle were directly linked ("tied in", in the words of a management spokesperson) with the size of lay-off payments and holiday bonuses. Anyone who took part in "unconstitutional acts" lost their right to lay-off payments for 6 months following the incident and had their holiday bonus reduced to £20.

This agreement was supported by 17 out of 19 trade unions but the two biggest representing transport and engineering workers opposed sanctions against unofficial strikers in particular.

After a four-week strike called by shop stewards at a number of plants a new agreement was reached. Thanks to their tough fight the workers won a number of concessions. Their chief gains of an 8 per cent wage increase and a minimum £15 holiday bonus for employees of over a year's service were confirmed. Yet despite the demands made by the workers and intervention by the Labour government and the courts the new agreement still incorporated sanctions against "unconstitutional" strikes. However, the company's methods were now better camouflaged: the "collective principle" was adopted according to which the use of sanctions depended on the "behaviour" of the entire workforce and not just individuals. Thus Ford found an original way of averting undesired actions by the workers: in the interests of the workforce as a whole the trade unions themselves were not to allow any unofficial

strikes or disputes. The management introduced individual weekly contributions to the employees' redundancy payment and holiday bonus fund but they were cancelled out for those weeks when certain incidents not allowed in the agreement occurred at their plants. The £15 holiday bonus could be increased if a plant did not take part in "unconstitutional activities".

The conflict at Ford's is interesting from two points of view. Firstly, it revealed the failure of intervention by the government and the courts. The state proved powerless to exert any pressure on the U.S. TNC in settling a matter in which it had usually managed to change the position taken by national companies in favour of trade union demands. As a result, thanks to their methods of concluding collective agreements the TNCs deprived the working class abroad of even that minimum support from the state which it enjoyed in national companies. Secondly, Ford snatched away from the workers an effective form of struggle, the unofficial strike, and did so by the tried-and-tested method of promising a financial inducement in return for forfeiting the right to strike in this manner and for taking any "rebels" to task.

Harsh disciplinary measures against those who take part in "unconstitutional actions" are also employed by other trans-Atlantic TNCs. The directors of Henry Wiggins, a subsidiary of the Canadian firm International Nickel, managed to secure acceptance of an agreement unique in Britain at one of its plants. In essence it laid down that any employee taking part or even arguing in favour of any activity in breach of the

agreement would be fined and lose his bonus. The Vauxhall management reached a secret agreement with all the trade unions by which they agreed, firstly, to take disciplinary action themselves against anyone breaking the agreement and, secondly, in cases when the management itself took such action, not to take any action in their defence.[5]

Thus, the American TNCs try to adapt the conditions under which they exploit labour at their plants in Britain to their own particular interests, bringing them into line with usual American standards. Their policy is indicative of the trend towards the internationalisation of labour relations, as the following shows.

Firstly, the methods of capitalist exploitation become noticeably harsher as a result of introducing new types of collective employment agreements and forms of wage payment. Secondly, the traditional forms of struggle for the proletariat become paralysed. In practice this means the U.S. TNCs in Britain employ draconian measures against unofficial strikers and try to reduce the traditional power of shop stewards. Thirdly, the workers are essentially deprived of the support of their trade unions. The national trade union structure is not fully adapted to the U.S. TNC system of reaching collective agreements and this makes it easier for the latter to put into effect a whole number of innovations. Generally speaking this gives rise to the gradual adoption of U.S. TNC labour policy in Britain. Practised at first by the international corporations, it becomes more widely adopted throughout British industry.

OVERSEAS ENTERPRISES: WAGE COMPARISONS

What consequences arise from the internationalisation of labour relations which has already been fully implemented in TNC practices in the United States and Britain and has spread to industries in other countries? Are the strategic calculations made by international business simply confined to standardising labour legislation in order to improve conditions for "perfecting" the exploitation of workers? In analysing these questions it should be remembered that TNCs represent a continuation and development of capitalist monopoly. Through their system of financial "incentives" the new supermonopolies hope to create a modern working-class elite to work at their TNC enterprises.

A split in the working class owing to the fact that its higher ranks are bought off is one of the most important social consequences arising from the development of monopolies. Its economic roots lie in monopoly which enables some capitalists to obtain supernormal profits. Opportunism was strong in Britain in the last century because of its world monopoly of industry and trade. The loss of this world domination at the end of the 19th century signalled the emergence of more developed forms of monopoly rather than its disappearance. "Imperialism *is* monopoly capitalism. Every cartel, trust, syndicate, every giant bank *is* a monopoly. Superprofits have not disappeared; they still remain. The exploitation of *all* other countries by one privileged, financially wealthy country remains and has become more intense."[6]

Some of the profits made by a few capitalist countries through the plunder of others were used to buy off the labour aristocracy in order to gain its support for "its" national imperialism against "another's". The major economic and political changes that occurred after the October 1917 Revolution in Russia including the break-up of the colonial system destroyed the former basis for an elite section of the proletariat.

At the present time the monopolies have to tackle much more complex social tasks in an effort to increase their influence within the working class. They try to create divisions among the proletariat not only in their own countries but abroad as well. Their aim is to set up a cosmopolitanised management system which has as a key element the universalisation of capitalist methods of dominating labour, and to check the growth of international working-class struggle against the cosmopolitanised bourgeoisie. According to present-day cosmopolitologists, the final objective is to transform each TNC into some kind of association representing the common interests of exploiters and exploited.

The economic basis for detaching a modern working-class elite and attaching it to cosmopolitanised capital can be found in a TNC as a new type of multinational monopoly. Its profits which are greater than those of national companies are generated through an optimal combination of the chief elements of production, one of which is labour. One of the main reasons for the growth of the TNCs profits has been their use of differences in its value and in the level of its training and skills and of purely physical data. However, in describing

the tendency of TNCs to split the proletariat attention should first of all be paid to differences in the amount of wages at their plants and at national factories in the host countries (see Table 19).

There are vast wage differentials within U.S. TNCs. The amount of money spent per employee at an American plant is almost double that paid out at affiliates in industrial countries and thrice that in developing countries. In this particular case it all happens in keeping with the laws of commodity production: the value of labour in Europe is still on the whole lower than in the United States and still lower in Asia, Africa and Latin America. The TNCs "simply" take advantage of the low value of a specific good, i. e. labour, outside the United States in their own interests. In present conditions this consistent "subordination" by TNCs to the laws of capitalist production and exchange has become a new form of monopoly by the supergiant corporations proving their kinship with the capitalist system. This is not so obvious from Table 19 since it shows gross expenditures on labour remuneration without any breakdown into separate items. Table 20 shows more clearly the differences in wage payments within a single corporation.

Beside other production and non-production factors, a corporation can derive superprofits from wage differentials, firstly, by adopting a "sliding scale" of wage payments whereby the highest wages are paid at TNC factories in the United States, the next highest at plants in other industrialised capitalist countries, and the lowest at enterprises in the developing countries, and secondly, by attracting cheap labour, especially female, juvenile,

Table 19

Labour Remuneration Expenditures Per Employee at U. S. TNC Foreign Plants in 1970 (USA = 100 per cent)

Industry	All Countries	Industrial Countries	Developing Countries
All Industries	50.9	55.6	33.8
Manufacturing	46.8	51.4	27.3
Petroleum	60.6	66.1	52.1
Other	61.5	68.4	40.6

Source: *Survey of Current Business*, October 1973, p. 42.

Table 20

Average Hourly Remuneration of General Motors Employees (USA = 100 per cent)

Country	Wage Level	Wages Plus Additional Payments and Bonuses
USA	100	100
West Germany	59	65
Australia	48	44
Britain	44	37
Mexico	33	35
South Africa	26	20
Brasil	15	18
Argentina	16	16

Source: *Multinational Corporations. A Compendium of Paper Submitted to the Subcommittee on International Trade of the Committee on Finance of the U.S. Senate*, Washington, 1973, February, p. 173

and child labour which makes it possible to pay extraordinarily low wages in developing countries.

The trends in wage payments made by U.S. TNCs can be observed fairly clearly. Employees of parent companies in the United States are paid

Table 21

Average Hourly Remuneration at Assembly Plants in the U.S. and in Developing Countries, $

	Developing Countries (1)	USA (2)	Ratio (2 : 1)
Electronics			
Hong Kong	0.27	3.12	11.8
Mexico	0.53	2.31	4.4
Taiwan	0.14	2.56	18.2
Machine Assembly			
Hong Kong	0.30	2.92	9.7
Mexico	0.48	2.97	6.2
South Korea	0.28	2.78	10.1
Singapore	0.29	3.36	11.6
Taiwan	0.38	3.67	9.8
Semi-Conductors			
Hong Kong	0.28	2.84	10.3
Mexico	0.61	2.56	4.2
South Korea	0.33	3.32	10.2
Singapore	0.29	3.36	11.6

Source: The Impact of Multinational Enterprises on Employment and Training, International Labour Office, Geneva, 1975, p. 13.

more than those working in foreign affiliates, although the latter, in turn, receive more than those exploited by national capital. Whereas in the first half of the century the monopolies created divisions among the working class in their own countries through the plunder of backward countries, nowadays they do the same thing abroad. TNCs use part of their profits to attract and retain a certain contingent of labour at their foreign affiliates which is able to meet the specific needs of cosmopolitanised capital. Thanks to their selective employment and wage policy they create a social bulwark of opportunism and reaction.

In the industrially developed part of the capitalist world the working class is considerably more homogeneous and has powerful organisations for upholding its rights. Therefore the social aims pursued by international business are different to what they are in the developing countries. In the industrial countries the TNCs use some of their profits to attract highly qualified workers. Under state-monopoly capitalism workers are largely educated, trained and re-trained in the state sector. Naturally the TNCs try to reap the benefits of this situation abroad. It should be noted that the poor system of industrial training in the industrially developed countries causes a severe shortage of skilled labour even at a time of high unemployment. In these circumstances the TNCs organise their own kind of "brain drain" abroad, thereby depleting local labour markets. British researchers have noted that U.S. corporations recruit far more workers from among the employed than from the unemployed. The result is a two-tier or possibly a three-tier career structure. Labour moves from national firms in traditional industries to an ordinary foreign firm and only then to an IBM-type firm. This "filtering" policy explains why out of 802 hirings at Ford's covered by a survey only 83 were from the unemployed. As a result the overwhelming majority of the Ford labour force in Britain was recruited from local firms.[7]

By relying on their financial resources, transnationals are able to introduce divisions in the ranks of the working class. As a means of winning support from a section of the workers and retaining them at their plants, TNCs again have recourse to high levels of remuneration. Thus the management

of Opel in West Germany respond much more sensitively to conditions on the local labour market than to their own agreements with the trade unions. As a result, the workers at this subsidiary of General Motors receive higher wages than the union rates lay down.

The Ford management in The Netherlands have noted that the tight labour market situation there is a key factor influencing its relationship with the works council in disputes procedure. During the previously mentioned strike at Ford's in Britain the Dutch affiliate had to cease production since it was there that knock-down kits imported from Britain were assembled, but they still received their full wages. This was decided without any preliminary agreement with the works council or the trade unions. The management reasoned that they needed to retain their workforce until production started up again. By their action the company also protected itself from a possible sympathy strike by its Dutch employees.[8]

Finally, besides paying higher wages and making considerable additional payments, some TNCs try to detach part of the workers from the rest by setting up some kind of association. Thus, in answer to the workers' demand for their own trade union the alternative is offered of some kind of variously-named association. Evidence given to the British Commission on Industrial Relations by a U.S. corporation indicates the reasons for this policy of refusing to recognise trade unions and substituting "company" organisations, both in the case of national and international companies. "...Unionism would destroy a direct relationship between management and employee and thus

weaken loyalty and restrict the scope of management discretion."[9] Put more simply, it would curtail the scope for direct intervention by the international bourgeoisie.

SUPRANATIONAL EXPLOITATION: MYTHS AND REALITY

Apologists for the TNCs regard them as vital channel for implanting the ideology of bourgeois cosmopolitanism. They try, for instance, to "prove" propositions about the inevitable disappearance of class conflicts as a result of the cosmopolitanisation of TNC activity and the introduction of a unified system of management in different countries and about the beneficial role played by managers in their administration. Assertions of this kind are essentially a modernised variant of concepts concerning "industrial" or "human" relations. Bourgeois researchers see grounds for their revival in the changed system of multinational monopoly management. This is a new phenomenon in the ideological fight between capitalism and socialism and the confrontation between two world outlooks of bourgeois cosmopolitanism and proletarian internationalism.

"Cosmopolitan culture" and supranational exploitation. The concept of a "cosmopolitan culture" or "subculture" has gained most currency among theories on the impact that TNCs have on private monopoly managerial methods and on their place in the set of relationships between wage labour and capital. In general, it forms the views of bourgeois theoreticians and business representatives regarding the socio-economic role of transnationals. According to this concept, a new "culture"

is born and develops in the course of their global expansion.

In reality there has grown up within the TNC framework a system of supranational exploitation of the working classes which differs from the national system in that it incorporates the internationalisation of labour recruitment and employment, substantial differentiation of wages among TNC employees throughout the world, and the relocation of labour-intensive industries to cheap labour countries.

This speculative "cosmopolitan culture" draws on certain facts regarding the extensive spread of the newest forms of production organisation and management by TNCs, the unified character of the production process in different countries, and the rapid application for these purposes of the new technology which makes it feasible to improve and modernise capitalist management on an international scale.

Professor Kolde of Washington University regards the development of international business as a process of convergence and of the greater approximation of decision-making models in TNC policy. In his opinion, the remaining differences in individual company activity are becoming fewer and similar views are being developed on resolving socio-political problems. As a result, he believes that "from the shared experiences has been emerging an international system of business values—a cosmopolitan corporate culture, which might be visualized as a functionally oriented superstructure bridging the national cultures of different countries".[10] By national culture he means the totality of socio-economic conditions prevailing in individual

countries. Consequently, according to Kolde, the emerging "culture" of cosmopolitanised capital is a concept which embraces a corporative system of methods, standards and norms for conducting economic operations at enterprise level. In reality, however, it incorporates, besides forms of recruitment and employment in production, the ways and means for exploiting and oppressing workers.

Professor Hessling of Rotterdam University expresses similar ideas about a "multinational subculture". "From multinational headquarters," he states, "certain values, attitudes and assumptions seem to be disseminated which form a layer upon the national culture and create a new identity for the bearers."[11]*

To a certain extent these various theses reflect a real process of internationalisation of management by present-day international monopolies. Bourgeois theoreticians claim, however, that its effect is to eliminate contradictions between wage labour and capital, between the proletariat and the bourgeoisie on an international scale. Herein lies the class purpose of the concept of "cosmopolitan culture"—to convince people that one of the chief forms of the basic contradiction of capitalism can be removed without the abolition of capitalism itself.

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* The authors of studies of particular firms try to substantiate the conclusions advanced by theoreticians of the new "culture". For example, the British journalist, N. Foy, believes the principal reason for IBM's success is because it has created its own culture. "The corporate culture runs along beneath the national culture, seldom visible from outside unless one knows its characteristics." (Nancy Foy, *The IBM World*, Eyre Methuen, London, 1974, p. 7.)

Stress is laid on the fact that "the emergent cosmopolitan business culture introduces something very original into the relations between the multinational firm and its heterocultural environment".[12] Although TNC policy contains a number of new features which give rise to certain conflicts in foreign capitalist countries, their methods and standards of activity which, in Kolde's opinion, differ from previous ones make them into members of some sort of cosmopolitanised elite. This elite also serves as a real basis "for a social discourse, an intercultural dialogue, that opens rational approaches for eliminating the conflicts".[13] Socio-economic contradictions are mainly resolved through the integration of national and corporative "cultures" and the interpenetration of different styles, ideologies, methods, and management. The body of international managers are called upon to neutralise the tendency towards ethnocentrism in TNCs and to consolidate the culture of the parent company with that in other countries.

Thus, "cosmopolitan corporate culture" is presented as particular system of managerial methods in corporations which are international in the scale and nature of their economic operations and in accordance with the principles governing the accumulation and investment of capital. On the one hand the TNCs transmit their own principles of factory management abroad, on the other they themselves adopt the most advanced methods from foreign countries. Bourgeois ideologists believe that a cosmopolitanised style of management, flexibility of company administration and optimisation of subdivisional activity should ease and eventually abolish class conflicts. They com-

pletely ignore, however, the other aspect of this process—the impact of TNCs on the exploitation of wage labour.

The failure to understand the dual nature of management under capitalism and the openly apologetic defence of only one aspect demonstrate the theoretical untenability of this concept of "cosmopolitan culture". The Marxist analysis of capitalist management provides a really scientific methodological basis for evaluating these intricate rationalisations about "cosmoculture" and for examining the real phenomena underlying them. "The control exercised by the capitalist," wrote Marx, "is not only a special function, due to the nature of the social labour-process, and peculiar to that process, but it is, at the same time, a function of the exploitation of a social labour-process, and is consequently rooted in the unavoidable antagonism between the exploiter and the living and labouring raw material he exploits."[14]

Obviously the dual nature of capitalist management does not disappear with the increase in scale of international production by giant companies, since the substance of production relations built on exploitation does not alter. The two functions of "cosmopolitan culture" preached in Western literature comprise the following features. On the one hand it really does represent the development of common methods of managing the innumerable TNC subsidiaries and plants in various countries. This function arises from the objective process of the internationalisation of capitalist production which has developed at a particularly fast pace in the 1960s and 1970s.

On the other hand, "cosmoculture" indicates

that a system of supranational exploitation of wage labour has emerged and that the generation of surplus value has been internationalised. Within the TNC context this system of exploitation expresses itself first and foremost in the increased harshness of forms and methods of recruitment and employment of labour at various plants abroad. As has been stressed previously, the position of the workers is worsened through the inclusion in collective agreements of tougher working conditions, the introduction of a payments system geared to high output indices, and the regulation of "unconstitutional activities".

This system of supranational exploitation is also evident in the field of labour remuneration. TNCs do not merely take advantage of international wage differentials, which still remain despite a certain levelling out, but try to reinforce them. They pay workers in the developed countries less than in the base country but more than local firms. In developing countries where labour is on the whole exceptionally cheap wages are maintained at a very low level.

Thus the formation of a "cosmopolitan culture" leads to increased exploitation of the working class. Superexploitation by TNCs consists, firstly, in increased intensity of work, and, secondly, in underpayment of workers abroad compared with workers at home for work of the same productivity and intensity. Underpayment occurs both in the industrial countries (IBM's factories in the United States and The Netherlands are a glaring example) and especially in developing countries where for simple routine operations labour productivity is approximately the same as in the United States

and even often higher but where wages are 10-15 times lower. Increased exploitation is also due to the level of participation in the workforce of low-paid labour—women, juveniles, and children—especially in the developing countries.

"Cosmopolitan culture" is not simply some kind of set of "business values" or unified managerial methods but is in the final analysis, as practised by TNCs, subordinate to the aims of profit maximisation. Its fundamental basis under capitalism was and still remains the exploitation of labour which has assumed a supranational character within the TNC context. The introduction of new managerial methods and their transfer to foreign affiliates is inevitably accompanied by an improved system of exploitation and the implantation of its new forms which bourgeois writers make every attempt to camouflage.

"...If on the one hand production based on capital," Marx stressed, "creates a universal system of labour, i.e. surplus labour, labour creating value, then on the other hand it creates a system of universal exploitation of natural and human properties..."[15] Today it is the supermonopolies which form this system of general international exploitation which does not alter the substance of relations between wage labour and capital. Bourgeois ideologists, however, in order to prove the advantages of the capitalist organisation of production by the TNCs, ignore and gloss over in every way possible the exploitative nature of relations within international corporations and the growing contradictions they give rise to between workers and capitalists.

The philosophy of "corporate international-

ism". The philosophy of "corporate internationalism" which is supposed to symbolise the common goals and interests of people of different nationalities and different social background who work for TNCs forms an integral part of the concept of a "cosmopolitan culture". It proclaims the unity within a single corporation of workers, managers and owners.

If they are to set up a system of supranational exploitation the apologists for capitalism have to change their methods in order to show its benefits and prospects in comparison with socialism and select new objectives for this purpose. The TNC has become such an objective. The philosophy of "corporate internationalism" is a special kind of ideological structure resting on a real process whereby new forms and methods of exploitation spread through a number of different countries. Bourgeois apologetics summarise this "philosophy" as follows: in all countries where their affiliates are located TNCs introduce a system of employing labour which turns the corporation into a single extended family free of conflict and working for its own benefit and future prosperity. Its real class content is to try and justify the TNC system of exploitation ideologically by making use of specific new devices and arguments.

American companies like IBM which has set up a consultative council at its British plants and Eastman Kodak which has instituted "workers' representative committees" have put this "philosophy of class peace" into practice. They act as an alternative to demands for trade union recognition. The management at Kodak told the General Council of the British Trades Union Con-

gress that "they would give serious consideration to any demand for recognition coming from the majority of their employees".[16] This statement was made in response to a demand by 10 unions for recognition. By putting up "company" associations against the unions, the monopolists extend their influence over their workers and to some extent subordinate them ideologically. For example, the purpose of the productivity agreements previously mentioned is to draw workers into the fight to "rationalise" production by getting them to support innovations introduced by management. This creates illusions regarding trade union participation in determining the enterprise's main goals.

Modern supermonopolies develop by drawing on and making use of a growing mass of material and spiritual resources from the capitalist world in their various activities. Bourgeois science considers that a very special type of person is needed nowadays to manage this process. He should be capable of hiding the negative aspects of TNC expansion and showing only its beneficial role. According to bourgeois economists who do research into TNC problems, the chief value of managers of foreign affiliates is to adopt and implement this "cosmopolitan ideology" fully in order to lessen social conflicts on an international scale. Moreover, TNCs should not only create but also transmit this "corporate culture" to foreign countries so as to ensure their successful global expansion. This is where "the philosophy of internationalism" should play a decisive role. Professor B. Roberts of the London School of Economics and Political Studies has written, "An appropriate corporate philosophy is one of the most important factors in the creation of

the cultural conditions that are necessary to make true *geocentricity* possible."[17] Like H. Perlmutter, Roberts regards geocentrism as the necessary attribute of a global corporation.[18]

According to bourgeois theoreticians, this "culturisation" should prove fruitful for the TNCs, since it helps them to attract managerial staff in the host countries who do not have to overcome national, language, or religious barriers in their dealings with employees in their overseas affiliates. Hence the recommendation to give up the practice of employing only American managers abroad. Professor Shearer of Princeton University, for example, who remarked back in 1960 on the unacceptability of this sort of policy felt it was necessary to use both American and local staff.[19] He suggested reserving only the top posts in foreign affiliates' management for U.S. citizens.

The tendency to employ national managers has grown noticeably stronger since the mid-1960s, and not just in the lower and middle ranks but at times in top management as well. Foreigners have been elected onto the parent company board of such corporations as Textron, Exxon, Texaco, Minnesota Mining and Manufacturing, Allied Chemical, American Brands, AMF, Clark Equipment, and Heinz. Kolde regards it as ideal when the managerial staff responsible for foreign operations consists of people of various nationalities. This ideal has not yet been achieved though in fact the West European companies Nestlé and Unilevers approximate more closely to it than American firms.[20]

Thus bourgeois researchers persistently stress the practical importance of this question of citizen-

ship since, if "correctly" solved, it can eliminate conflict with local employees and their trade unions. Attention is paid to this question because it does not exist in national firms. In evaluating the role of management, they overlook unchanging nature of the capitalist corporation which has emerged as a TNC. The objectives of capitalist management are similarly unchanging as are those of the managers themselves regardless of their national origin. Their basic objective is still to strengthen their corporation's monopoly positions on the world market and in foreign economies. This does not as a rule, however, correspond with the objectives pursued by other companies or by state policy and thus gives rise to sharp new contradictions within the capitalist system which promise its future disruption rather than harmony and progress.

These "cosmopolitan" ideas are, however, refuted by businessmen themselves. For example, the chairman of Ronson's British affiliate frankly stated the credo of a TNC executive: "He must set aside any nationalistic attitudes and appreciate that in the last resort his loyalty must be to the shareholders of the parent company and he must protect their interest even if it might appear that it is not perhaps in the national interest of the country in which he is operating."[21] That is how a top manager in a U.S. TNC describes the true meaning of the managerial role and the philosophy of "corporate internationalism".

Bourgeois experts fail to take account of the fact that managers' actions are controlled by owners from among the biggest financial magnates. Concepts regarding the social role of TNCs general-

ly develop as part of the well-known theory of the "managerial revolution" which claims that the financial oligarchy has lost control of its corporations and that managers run them independently. Marxist studies have convincingly shown the falseness of the premises underlying this concept and its factual untenability. Even on the international level, corporate policy retains its exploitative class nature, while managers, far from altering its character, are directly involved in the oppression of the proletariat.

The apologist intent of the concept of "corporate internationalism" is obvious if one takes account of the TNCs role in building up the domination of capital over labour. Alongside an increase in exploitation, this domination is also apparent in the use made by TNCs of channels which were not available to earlier monopolies for putting pressure on the working class. They include the relocation of production to countries where labour is cheap or the working-class movement less well-organised, manipulation of transfer prices in order to reduce profits at affiliates negotiating with national trade unions, and increased output of goods at factories in one country with a view to paralysing a strike in another country.

The growth of the strike movement in response to the TNCs anti-working-class and anti-union policies demonstrates the factual untenability of the philosophy of "corporate internationalism". Thus, according to a survey conducted in Britain, between 1963 and 1968, the number of strikes at foreign-owned TNC subsidiaries trebled, while at British-owned factories they increased only by 80 per cent and the number of days lost was 8

and 3 times greater respectively. That means that class conflicts were stronger within foreign supermonopolies than in local firms. National contingents of the working class coordinated their actions chiefly through the collection and dissemination of information about various aspects of monopoly activity, the establishment of trade union combines, internationally coordinated strikes, and the negotiation of international collective agreements covering factories in different countries.

Trade union combines first began to be set up at the end of the 1960s. They coordinate working-class struggle within individual TNCs and among companies in the same industry. At the present time, there are 8 combines in the motor industry, 2 each in electrical engineering and the agricultural machinery industry, and 17 in chemicals. The AKZO combine, for example, organised an international conference in opposition to the "reconstruction plan", which envisaged 6,500 redundancies. Ford, Rhône Poulenc and Dunlop-Pirelli workers have organised international strikes and solidarity protests. Workers' solidarity has stopped firms from switching orders from factories that are out on strike and been instrumental in winning wage rises. Thus, even in conditions of the cosmopolitanisation of capital, the proletariat has shown its vitality and the superiority of working-class internationalism over "corporate internationalism". The socialist countries have played an important role in this situation, because solidarity with the workers' fight for their sovereign rights and interests is a norm of life in socialist society.

The "new managers'" socio-economic role. The top managers of TNC foreign affiliates have a key

role to play in putting the ideas of economic cosmopolitanism into practice. Apologetics for this role has become part and parcel of the theory of "cosmoculture" and "corporate internationalism". It is, therefore, worthwhile to make an independent analysis concerning the grounds for the emergence and the socio-economic functions and duties of TNC managers.

The activity of TNC managers, their flexible leadership and range of thought are constantly praised in bourgeois economic writings. They are proclaimed as a new class of managers, who are needed in all countries. Endel J. Kolde holds up as an ideal example the career of Jacques Maisonrouge, a top IBM manager and now secretary general of the International Chamber of Commerce: "...Jacques Maisonrouge, the French born head of IBM Europe, probably is the most widely acclaimed manager of any American subsidiary in Europe. A former vice-president of IBM World Trade Corp. in New York, Maisonrouge personifies the philosophy of corporate internationalism laid down by IBM founder Thomas J. Watson 40 years ago. In the eyes of IBM, Maisonrouge is the Complete International Man, so deft at imparting an international flavor to American methods that their national origin remains concealed."[22]

By confining themselves to this type of eulogy, bourgeois writers seek to obscure the true socio-economic role and functions of the "new manager", and his class loyalty. They fail to distinguish between junior and middle management, on the one hand, and top management on the other. The real nature of the "new managers" must be brought out not only because of their increasing number

abroad and their growing role in production in many countries but also because they directly participate in exploiting millions of workers of different nationalities at TNC factories in many countries.

The reason for the emergence and development of the "new managers" is to be found in the constantly increasing separation of the function of capital from its ownership, which has now taken on an international scale. This is due to the heightened socialisation of production and the growing international division of labour within the giant monopolies. An additional new barrier—a national one—has arisen between the ownership of capital and the production process. The owners of capital have become more distanced from production not only in the figurative sense that they are divorced from its management but also in the direct sense, from the point of view of its territorial location. While resident in one country, they derive their income from factories operating in many countries.

This distancing of TNC proprietors from production activity should not, however, be reduced merely to a question of kilometres. Between the functioning of capital and its ownership, there stands a barrier made up of various national traits: traditions, language, culture, and political system. Although capital knows no homeland and recognises no frontiers, with the emergence of TNCs it may possess a different "citizenship" in its daily existence as a function and as property. This gives rise to a number of specific new conflicts between exploiters and exploited, which complicates the "normal" receipt of income by the former. A special approach to the management of TNC affiliates

abroad is required in order to lessen the consequences of the growing contradictions between workers and the owners of capital.

The very internationalisation of capitalist enterprise imposes certain specific functions and duties upon managers. Kolde formulates them as follows: "A global viewpoint is a necessity for top managers of a multinational corporation. They must look at all the free world as their market and all its peoples and resources as their potential of production. Economic performance is their objective, and prejudice against nations and customs has no place in their code."[23]

The normal functioning of TNC enterprises and companies is no longer ensured solely by production factors. Managers try to take advantage of the national characteristics of their employees and to render ineffective their traditional methods of struggle. They use their knowledge of the "advantageous" features of government policy in different countries and try to secure favourable conditions for marketing, financing, credit provision and taxation in negotiations with foreign governments and local authorities. The "new managers" increase profits by means of intra-firm manipulation of prices and company agreements and try to adapt the activity of its individual divisions to the various social and political situations.

Top managers have not so much to improve the forms and methods of economic activity as to universalise the system of exploitation and monopoly domination of production and marketing on an international scale. These functions are connected not so much with the socialisation of production as primarily with strengthening the cosmopolita-

nisation of finance capital. The "new manager" helps those finance capitalists who control the TNC from the base country to acquire surplus value produced by workers at the numerous foreign enterprises. Moreover, he helps to redistribute surplus value produced outside a particular TNC. This happens in the case of the majority of joint ventures, where TNC methods of control are in the final analysis directed at extracting part of the profits from the local partner. The TNC's financial operations also serve as a channel for redistribution, whereby they manage to transmit funds to countries with low rates of taxation, make money on exchange rate fluctuations, etc.

"Universal" TNC managers emerge as a result of the objective process of internationalisation of capitalist production and its management, and yet this universality is both limited and distorted. Cosmopolitanised capital smoothes away the personal characteristics and qualities of the "universal managers", as well as their national features and their cultural values. "What is being formed is an elite group of 'men without a country'. Professionals whose allegiance is to their multinational corporation and not to the nation of their birth. Trained and duty-bound to serve the interests of 'corporations without a country'."[24]

Managers who implement the policy of the TNC's real owners, the major capitalist proprietors, identify their ideas with their own ambitions. Thus, the "new manager" becomes a social type who personifies supranational organisation for exploiting workers. He is a vehicle of the cosmopolitanised ideology of capital and implements it in practice.

The position and functions of top managers

in capitalist production help objectively to mask the very real relations of exploitation of labour by capital, but when the functioning of capital was confined to the territory of its own country the question did not usually arise regarding the nationality of whoever owned the company, either individually or collectively. The owners had the same citizenship as their workers and the national character of exploitation was obvious. With the growth of TNCs and the emergence of the "new managers", the "alien" origin of the owners and the process whereby they imposed their methods of enslaving the working class become obscured. It is precisely the top managers rather than the junior or middle ones who personify the philosophy of "corporate internationalism". This fact is exceptionally important in shaping the directions of working-class struggle and developing new forms and methods of struggle.

The system of supranational exploitation of the working class took shape in the 1970s. In return for slightly higher wages, the international corporations try to impose harsher working conditions on the workers who have fallen into their grasp and to break their capacity to resist with their traditional methods. They make rather obvious attempts to present this system as some kind of "cosmopolitan culture" and to justify its existence and development ideologically. E. Pletnev has correctly observed that these leviathan monopolies and "human relations" concepts seem to have been made for each other as complementary systems for the economic and psychological oppression of wage labour.[25] The "new managers" who occupy an important place in the structure of the cos-

mopolitanised bourgeoisie, perform a socio-economic function as the immediate executors of the supranational organisation of exploitation.

The development of the TNCs once again provides convincing evidence that capital distorts human values and tries to corrupt people's consciousness with ideas about "class peace" and social harmony". The development of the human personality is supplanted by its spiritual enslavement. The TNCs with their philosophy of "corporate internationalism" try to obliterate the national character of people's ideology and cosmopolitanise it.

However, practice shows that the ideology of bourgeois cosmopolitanism is limited and doomed to failure. The working class in the capitalist countries is stepping up its fight against the TNCs by strengthening international unity and solidarity, relying all the while on the constant assistance and support of the workers in socialist countries. This provides striking confirmation of the strength and the superiority of the ideas of proletarian internationalism in the fight against bourgeois cosmopolitanism.

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Chapter Five

RELATIONS BETWEEN TNCS AND THE STATE: THE AMERICAN EXAMPLE

State-monopoly capitalism is a natural stage in the development of imperialism. Its tendency to grow and develop new forms and methods is governed by the general laws regarding the functioning of capitalism in its final stage. Private monopoly, which is the principal element in the structure of a capitalist economy in the 20th century and which constantly expands its frontiers, objectively determines an increase in state intervention in economic processes. This intervention is primarily undertaken in the interests of the monopolies and is used by them to strengthen their position. During the inter-war period, state intervention was limited, by and large, to the domestic economy. Post-war, especially over the last twenty years, the state has been exerting an increasing influence on foreign economic operations of monopoly capital.

Essentially, state-monopoly capitalism brings together "the colossal power of capitalism with the colossal power of the state into a single mechanism and bringing tens of millions of people within the single organisation of state capitalism".[1] This state-monopoly complex combines two closely linked and constantly interacting factors. The initial one is the formation by the monopolies of an economic base which implies constantly growing state interven-

tion. In turn, the state creates favourable conditions for the growth of private monopoly socialisation. On the one hand, international corporations began to grow, and, on the other, the conflict between the state and the monopolies deepened and a crisis developed over the existing forms of their interaction as a natural result of this. U.S. TNCs went further in their development than those in other countries.. Their relations with their own government are, therefore, especially contradictory and indicative of the conditions of modern capitalism.

THE STATE'S ROLE IN DEVELOPING TRANSNATIONAL BUSINESS

The scale of the internationalisation of capitalist production has to some extent reoriented the policy of the state vis-à-vis the monopolies. Its principal, although not always explicit, objective has now become to strengthen the position of its own major corporations in the capitalist world economy.

During the period of the scientific and technological revolution, the role of the state in corporate development has noticeably grown and expanded. This is particularly the case in promoting TNC international expansion. The importance of promotional measures has increased particularly in connection with the task of strengthening the scientific and technological leadership of the United States, which now confronts the ruling circles of this major capitalist country. A key role is assigned to TNCs in this instance.

The financing of TNC R&D programmes. In conditions of the present scientific and technological revolution, the capitalist state has at least par-

tially to take upon itself those tasks which even giant corporations are unable to cope with on their own. Approximately three-fifths of all federal expenditures on R&D goes to the monopolies. In this way, the state helps to concentrate R&D in industry. In 1975, research expenditures in the private sector amounted to $25,600 m., of which $9,100 m. (40 per cent) were funded by the state through its contracts with firms.[2] However, the nature of government assistance and the terms on which it is given have led to a situation in which R&D expenditures are concentrated on a few leading science-intensive industries—electronics and electrical engineering and certain branches of engineering and the transport equipment, aerospace and chemical industries. The allocation of state funds to finance the more promising lines of technological research which are concentrated in the hands of a few super-large firms is a great boost to their international operations.

The state finances corporate research chiefly through contracts. Contracts enable the monopolies to utilise government aid simultaneously in several ways: the receipt of funds, a guaranteed market, and special provisions granting privileges to contractors. The contractual relations between the government and companies producing electronic equipment provide a good example.

In the late 1960's and early 1970's, the value of government contracts with firms such as IBM, Honeywell, Burroughs, and National Cash Register amounted to more than half their expenditure on R&D.[3] ITT's total expenditure on its own research and on research done under contract for the government amounted in the course of six years

(1970-1975) to $2,211 m., of which the corporation financed only $989 m., while most of the money was provided by the government.[4]

Government contracts contain provisions which tend to promote contractors' research activity. Firstly, research results obtained under contract are handed over to the company whether or not the project has been successfully completed. For example, despite the failure of the STRETCH project undertaken by IBM and financed by the Atomic Energy Commission of the U.S. government, a number of its technological concepts were later used in producing the Series 360 computer. Thus, the standard channel which was taken over for the Series 360 from this project made it possible to develop a new set of peripheral equipment.[5] Secondly, U.S. government contracts allow contractors to use up to 5 per cent of the contractual funds for their own research.

The allocation by the U.S. government of funds to promote R&D work is basically a means of supporting its "own" TNCs at home. However, a substantial proportion of government aid is earmarked for their foreign operations. This is particularly important for highly concentrated U.S. monopolies, which are able to compete at the international level. In this case, finance is a form of tremendous assistance to exporters of capital, given through an extensive system of tax concessions, credit guarantees, and insurance policies. U.S. monopoly capital's more advanced methods for capturing foreign markets compared to those used by West European and Japanese firms demand that the state implement appropriate regulatory measures.

Export regulations. The state has had to step

up its efforts in promoting exports because of the increasing part played by trade in U.S. economic development and its importance for foreign economic expansion, on the one hand, and the weakening position of the United States in world trade, on the other. The administration has good reason to regard the increase of exports by private firms as an important means of easing a whole number of severe problems facing the American economy, particularly a reduction of the trade balance and balance of payments deficit.

State intervention in foreign trade takes a variety of forms. Priority is given to the financing of exports and direct support to major exporting companies.

The state tries to improve and develop traditional, established methods of promoting exports, particularly the activity of the U.S. Export-Import Bank, whose position was significantly strengthened after the adoption in 1971 of the law on the Export-Import Bank. In subsequent years, the bank's financing capacity was significantly increased—from $13,600 m. to $20,000 m. in 1971 and $28,100 m. in 1976.[6]

In 1975, the Export-Import Bank implemented a whole series of measures to extend its assistance to private firms. Whereas previously its direct credit covered no more than 45 per cent of the value of an export deal, the limit was then raised to 60 per cent (the minimum remained at 30 per cent). Payments to American exporters who do not have recourse to direct credit are guaranteed up to 85 per cent of the value of a contract.

Two key factors directly linked to the development of the scientific and technological revolution

have led to an expansion of the Export-Import Bank's operations. Firstly, there is the desire of the state to strengthen the world market position of U.S. companies whose competitiveness has weakened noticeably in recent years; secondly, there is the volume and nature of exports, whose composition has changed under the impact of technological progress. The bulk of U.S. exports is made up of finished products with a high value-added content and particularly complex plant and machinery produced by expensive R&D. The marketing of this type of product inevitably incurs tremendous expenditures, which are partially borne by the state.

The Export-Import Bank has noticeably increased its financing of American exports in the 1970s. Out of a total sum of $105,000 m. paid out over the bank's lifetime $85,000 m., or over four-fifths, were allocated during the fiscal years 1970-1977.[7]

In 1971, the Private Export Finance Corporation (PEFCO) was established to mobilise private medium- and long-term credits, chiefly for heavy equipment exports (engines, generators, turbines, power station boilers, etc.). U.S. companies are important suppliers of these goods to the world market, although, owing to the spread of the new technology, they now face serious competition from firms such as Philips (the Netherlands), Siemens (West Germany), Matsushita Electric and Hitachi (Japan), which have hampered U.S. sales. This explains why 55 banks and a number of industrial corporations, including General Electric and United Aircraft, have become shareholders in PEFCO which is, in fact, controlled by the Export-Import

Bank. One of PEFCO's main sources of funds is the constantly renewed credit line of $50 m. which is supplied by the Export-Import Bank.

The ability of corporations to modernise production using the latest technology has assumed specific importance in conditions of the scientific and technological revolution. However, even in the most advanced sectors of industry, some production processes still require a large input of labour. Because of the high cost of labour, the profitability of capitalist firms is reduced and their competitiveness in world markets weakened. For this reason, besides promoting exports, the state makes use of tax levers in an attempt to make TNCs expand assembly operations in developing countries. To this end, in the mid-1960s, U.S. customs legislation incorporated special tariff clauses which allowed firms to export components for final assembly abroad. When these finished goods are sold on the American market, duties are imposed only on the newly added value contained in them.

Owing to these concessions by the government, imports shipped under these new tariff regulations comprised 22 per cent of all manufactured imports from developing countries by the mid-1970s.[8] Moreover, duties are imposed on only half of their value, although previously they were liable to full duty. Between 1966 and 1972, the overall growth rate of imports covered by this regulation was 60 per cent. The geographical pattern of imports under the new tariff regulations was as follows: Mexico accounted for 43 per cent, Taiwan, Hong Kong, Singapore and South Korea, for about 49 per cent and the Caribbean countries for 6 per cent.[9]

This new tariff legislation significantly increased the flight of labour-intensive production to cheap labour countries. It enabled the TNCs to reduce their production costs, which is an important factor in the competitive struggle.

Overseas investment guarantees and insurance. State regulation of the export of private capital is not sufficiently developed in the United States, having neither an operational mechanism nor an appropriate system of regulatory measures. In 1965, the government adopted a programme of export controls, which was at first voluntary and then compulsory and which covered over 600 companies investing capital abroad. However, this programme in fact floundered and was abandoned at the beginning of 1974.

State policy now comprises long-term guarantees and insurance for U. S. private foreign investment, which is an important form of financial assistance to companies. In 1969, the Overseas Private Investment Corporation (OPIC) was set up to implement a new programme of encouraging the expansion of direct investment and the organisation of production in the developing world.

The promotion of private company expansion in the developing countries helps to achieve U.S. imperialism's important objectives. The first objective is to satisfy the needs of the American economy for raw materials and fuel, where its dependence on imports is fairly high. The second objective is to enable the developing countries to meet the demands of industrial production in the economically developed capitalist regions through their partial industrialisation and the location of certain sectors of manufacturing on their territory. Finally,

the third objective is to encourage the trend towards the relocation in developing countries of labour-intensive and polluting types of production in order to increase the profitability and competitiveness of TNCs. In this way, the TNCs consolidate advanced science-intensive production by the United States.

Like its predecessor, the Agency of International Development (AID), OPIC chiefly gives financial assistance to major companies and banks which have received very nearly four-fifths of their total insurance from both organisations. The super-large corporations and banks are particularly privileged in this respect.

OPIC is also discriminating in its support for TNC growth in its sectoral allocation of funds. For example, approximately 82-83 per cent of the total is given to companies operating in manufacturing, and only 1-2 per cent to those in the extractive industries, where the position of U.S. capital is much stronger. The Agency of International Development allocated 24.7 per cent and 62.2 per cent respectively to these two groups throughout its existence. The connection between this allocation of funds and TNC operations becomes more obvious when one takes into account that only in recent years have U.S. corporations, overwhelmingly TNCs, become active in manufacturing industry in the developing countries.

OPIC's policy of giving most assistance to the large corporations has caused concern among circles connected with medium-sized and small businesses, which have organised a lobby for change in the government and Congress. In September 1977, the OPIC leaders gave way to Congress's

demand resulting from this pressure and decided to increase insurance assistance to smaller companies operating in the poorer developing countries. However, of the 86 projects which received insurance guarantees from OPIC between July 1977 and September 1978, thirty were located in the richer developing countries with a high per capita income. Moreover, eleven out of nineteen such countries fell within OPIC's area of operation.[10]

Most of the investments insured by OPIC in these instances were made in the manufacturing industries (production of pumps, motor components, communications equipment, and construction and agricultural machinery), or in services for oil drilling and transportation and for the organisation of assembly operations. The latest investments guaranteed by OPIC have been made either in industries equipped for labour-intensive operations or in industries connected with oil drilling and its transportation to the United States.

There is another interesting fact. In 1972, OPIC's insurance operations covered ninety countries, and yet 83 per cent of all insurance policies were held in eight states, of which five (South Korea, Indonesia, Taiwan, Singapore and the Philippines) are in Southeast Asia and the Far East. Only South Korea and the Philippines were included among the first eight countries where 57 per cent of AID insurance funds had been concentrated. Similarly, 90 per cent of OPIC's investment guarantees and nearly half its direct loans to corporations are made in the Far East.[11]

Thus, the effort made by U.S. TNCs to substantially expand their positions and their influence in

Southeast Asia and the Far East received wholehearted support from the government. Its financial support for their overseas production operations was reorientated to this part of the capitalist world. "True," a Congress commission recognises, "OPIC can operate only in countries in which private corporations are willing to invest."[12]

Anti-trust policy is also important in promoting corporate activity abroad in conditions of the scientific and technological revolution. U.S. anti-trust legislation is in some respects unique, since it is the only one that extends to foreign territory, i. e., has extra-territorial effect. Moreover, it applies not only to American or foreign firms operating in the United States but also to firms in other countries which do not operate in the United States at all.

Anti-trust policy is an important means for maintaining the United States' scientific and technological leadership. It is used to fight foreign competition and thereby strengthen the position of major U.S. companies. In many cases, U.S. legislation helps American TNCs by prosecuting foreign firms, declaring their operations to be unlawful.

For instance, there was the case of General Electric's incandescent lamps in which the Dutch company Philips was accused of violating the Sherman Act. The court demanded that Philips should publish its American patents for these goods. In accordance with a court ruling of 1972, Philips was also prohibited from exporting these lamps to the United States or producing them or any components or equipment for them there, and from entering into any agreement with an American producer of these goods or of making use of information from the United States, for this could

harm the latter's foreign trade. The purpose of this court ruling was in fact to restore the position of Philips's American competitors, especially General Electric. Owing to this assistance from the state, U.S. companies were able to apply the Dutch company's patents themselves and take advantage of the removal of a strong foreign competitor from their market.

Whereas the court ruling on Philips did not substantially affect its operations outside the United States, in cases of necessity, the American courts go very much further. This is particularly true of those industries, such as chemicals and pharmaceuticals, where foreign competition is the strongest.

Two Swiss companies, Ciba and Geigy, had subsidiaries in the United States which competed against each other in the production and marketing of a range of goods, including dyes and detergents. In 1969, these two firms were obliged to postpone their proposed merger, because an anti-trust suit had been started against them. The U.S. Department of Justice regarded the merger of the Swiss parent companies as restricting the competition of their subsidiaries in the United States. The court finally demanded that Ciba and Geigy should set up a new corporation, which was to be sold within two years. The fact that both defendants owned property in the United States provided grounds for a rapid conclusion of this court action. The extra-territoriality of the American law did not, therefore, formally enter into force, but the economic consequences of this and other similar cases lie outside the confines of formal judicial ruling.

Anti-trust policy is used to help TNCs, owing to

certain definite, very significant exceptions from general rules. These exceptions primarily affect U.S. TNC joint ventures abroad, which became very widespread in the 1970s.

Anti-trust laws practically do not apply to foreign joint ventures with U.S. participation. In regard to the developing countries, moreover, a special provision is made. Joint ventures and projects located in these countries are not regarded by American law as a method of suppressing competition but as a means of winning markets, and are, therefore, not regarded as illegal.

The extra-territoriality of U.S. legislation concerning U.S. monopoly activity abroad chiefly applies to acquisitions and mergers, which have very tangible effects for both domestic and foreign trade. "This judicial desire to avoid collision with the interests of foreign nations does not mean, however, that the courts are unwilling to include in anti-trust decrees provisions bearing on the conduct of defendants abroad. Particularly where it is the conduct of U.S. firms that is to be regulated, in which case the problems of comity are not so significant," the American experts E. W. Kintner and M. R. Joelson have observed.[13]

For example, the U.S. authorities started cases against Gillette and Litton Industries, which had acquired two West German firms, Braun (electric shavers) and Adler und Triumphwerke (typewriters). In the latter case, the U.S. Federal Trade Commission declared the acquisition to be anti-competitive and demanded that the factories should be sold. In the Commission's view, Litton had, through its acquisition, not only removed a serious competitor, who had a well-established network

of dealers in many countries, but had also strengthened its own dominant position on the typewriter market.

The Gillette and Litton cases, however, were interesting not so much as court decisions, particularly since the West German firms which had been acquired remained their property. Much more important were the direct results of the extra-territorial effect of U.S. legislation.

U.S. anti-trust policy has given rise to a new cluster of contradictions between national systems of state-monopoly regulation. It may, to some extent, put a brake on the centralisation of capital in other countries and weaken its promotion by their governments. The Ciba-Geigy case was not the only one of interest in this connection.

French government policies are directed towards establishing several major and powerful companies in leading industries, precisely where the majority of U.S. investments are concentrated. As a result, the U.S. legal authorities are able to intervene actively in the process of monopolisation of the French economy. Consequently, the position of the trans-Atlantic competitors does not become weaker. Another aspect of this problem is that the U.S. authorities frequently start cases to prevent the acquisition of local firms by American ones, even though they are not even the subject of investigation by the national authorities. This was the case in the acquisition of West German companies by Gillette and Litton Industries.

Inter-monopoly rivalry has become particularly sharp in conditions of the scientific and technological revolution, when the means available to corporations for reinforcing their own positions abroad

have become significantly greater (patent and licensing agreements, joint ventures and scientific and technological cooperation). Firms belonging to other capitalist countries are drawn more actively into the internationalisation of production. A sign of this is the increase in foreign investment in the United States and the penetration of foreign competitors in leading industries (such as chemicals, pharmaceuticals and motor industry). In these conditions, the American government regards antitrust policy as an important means for defending the interests of its own companies and curbing foreign competitors.

The personal ties that exist between the state apparatus and the large corporations provide powerful additional help to cooperation between the two in the foreign economic field. At the beginning of the present century, Lenin noted the tremendous importance of this phenomenon in developing state-monopoly processes. Today, however, this link-up with the government is regarded by the major U.S. corporations not only as a means of obtaining profitable orders and sources of finance, and of selling their goods to it, but as a direct route for their emissaries to occupy high positions in embassies and in international economic organisations such as the International Bank of Reconstruction and Development, which are under the control of the United States.

Thus, the state-corporation alliance is further advanced in relations between the government and State Department, on the one hand, and the TNCs, on the other. Together, they join in carrying out the general strategy of U.S. imperialism on the basis of government doctrines and programmes, in

the interests of the monopolies. Moreover, for their part, the TNCs do not only carry out economic operations abroad but are actively involved in various types of political activity. Recent revelations about the United States' disruptive activities in various countries have disclosed the carefully concealed links between many corporations and the CIA. They were used by the U.S. government for purposes which are clearly incompatible with national sovereignty.

The TNCs were formed with the direct support and active participation of their own state. Because of this, capitalist production has reached a qualitatively new level of socialisation, while the process whereby the productive forces outgrow their national boundaries has acquired an original form, inevitable under capitalism. This is the new kind of impact which TNCs, unlike previous monopolies, have on their country's domestic and foreign economic position and its role in the capitalist world economy.

IMPACT ON THE UNITED STATES' FOREIGN ECONOMIC POSITION

The expansion of capital exports as modern capitalism has developed has become a powerful factor affecting the economic position of individual countries. "The export of capital influences and greatly accelerates the development of capitalism in those countries to which it is exported," Lenin noted. "While, therefore, the export of capital may tend to a certain extent to arrest development in the capital-exporting countries, it can only do so by expanding and deepening the further develop-

ment of capitalism throughout the world."[14] In this perceptive comment, Lenin pointed out the influence that the export of capital may have on the economy of both importing and exporting countries, although at the beginning of the 20th century its real impact on the economic development of the exporting country was not yet sufficiently obvious. The outflow of capital was insignificant and mainly took the form of loan capital.

This question regarding the impact of capital exports became particularly pressing in the 1960s, when the contradictory nature of this impact on the economy of the capitalist world, including exporting countries, became clearly delineated. This problem became exceptionally severe for the United States, because of the enormous volume of its capital exports, which, to a considerable extent, took the form of direct investment. The question was already being posed in economic writing about the possibly serious negative effect of foreign investment on production, employment and foreign trade in the United States. It was, however, difficult to find a convincing answer, since at that time the trends which emerged fully in the 1970s had only begun to appear.

At the present time, the bulk of functioning capital is exported by TNCs, which has in fact become an internal operation for them. Where, when and how much capital should be allocated to the organisation and expansion of production—these fundamental questions of investment policy are decided by a small group of super-large monopolies. The problem should therefore be posed in a different way, since it is not simply a question of the effect that the export of capital has on the

development of the exporting country. It is now a question of how the TNCs constant attempts to improve their intra-firm linkages on an international scale and the increasing production efficiency within the corporation are bound up with the development of the national economy. Inflation, unemployment, economic recessions, and currency and energy crises are the price that has to be paid not so much for the expansion and further development of capitalism in various parts of the world as for the greater power and influence of the giant corporations throughout the capitalist world.

The development of state-monopoly capitalism represents a process of constant evolution in relations between the state and monopolies. Government intervention is primarily directed at securing the interests of the monopoly bourgeoisie. At the same time, the major corporations use their own methods for mobilising capital and for organising and managing the whole complex of divisions belonging to them. The objective result of interaction between these two forces within state-monopoly capitalism is the increasing socialisation of production, above all, in the private monopoly sector. In conditions of modern capitalism, it is the monopoly which is the main, fundamental form of the socialisation of production. The U.S. TNCs have an advantage, because in their case this process of socialisation has, on the whole, gone much further than in the case of other countries' TNCs. In comparison with them, U.S. supermonopolies are notable for a higher level of concentration of production and more extensive division of labour, specialisation and cooperation between their different units. On the whole, they have also gone

further than their West European and Japanese competitors in implementing the latest technology and developing automation as against serial, specialist and assembly production. Finally, the U.S. TNCs have typically achieved better forms of international activity and have transferred abroad many operations which previously were only conducted inside the country. This largely explains why the American government has retained a leading position in the capitalist world economy.

The international position and competitiveness of a nationally distinct imperialism chiefly depends on the position of its own monopolies both at home and abroad. At the present time, TNCs are the main weapon in inter-imperialist rivalry. They provide support not only for the foreign economic but also the foreign political expansion of the imperialist state and act as a vehicle for its military and ideological pressure against other countries. The latter is particularly true of the United States, as shown by numerous examples of current capitalist reality. There is also clear proof of the negative impact that U.S. TNCs have on the national economy and its position in the world. In this connection, the problem of relation between the expansion of TNCs and the place held in the capitalist world economy by their base country has become particularly important.

Above all, the expansion of TNC activity has an effect on the foreign economic position of the state, and the role of the monopolies in this case is by no means unequivocal. To a greater extent than national firms, TNCs help to strengthen the position of the United States in the capitalist world economy in a number of directions. Although the

supermonopolies' orientation in the foreign sphere is chiefly towards the growth of production, they are also leading exporters. TNCs account for over half of U.S. exports, and each individual TNC exports a much greater volume of goods than the average national firm. Their leadership in the export field is due to the fact that the links between the domestic and foreign market, inevitable under capitalism, have become exceptionally strong. As super-large monopoly associations, these corporations are far in advance of other firms in their level of concentration of production and, consequently, depend to a far greater extent on selling their goods abroad.

It should be realised that TNC development is very closely connected with the application of new technology that determines the scale of production objectively intended for world markets. Inevitably, therefore, the TNCs surpass national firms not only in the volume of exports but in their growth rates as well. Throughout the 1960s, TNC exports increased by 180 per cent, while average U.S. exports grew by 53.5 per cent. In 1978, the exports of 100 major U.S. companies increased by 20 per cent, whereas the exports of the U.S. manufacturing industry, by 14 per cent.[15] Moreover, exports are stimulated by a growing network of TNC foreign affiliates, for a significant proportion of intra-corporate trade is also regarded as the exports of a particular country. In comparison with an ordinary exporting company, an international monoply possesses an extensive foreign network of both production and marketing subdivisions, which resell the parent company's products. As a result, the TNC's export quota (the ratio of their exports

to their total sales) is approximately 14 per cent, which is more than twice that of an average American firm.[16]

TNCs hold the leading position in U.S. foreign trade expansion. Their operations help not only to expand U.S. exports but also to improve the country's trade balance. Imports, including goods supplied by foreign affiliates to their parent company, comprise a small part of TNC foreign trade turnover—less than 6 per cent compared to 15 per cent of exports. The exclusive emphasis of foreign affiliates on foreign markets guarantees a positive balance in the parent company's trade figures. In 1977, it amounted to $12,000 m. for 124 leading TNCs.[17]*

The exchange of technology among capitalist countries is a special privilege of the TNCs at the present time. According to U.N. experts, about 80 per cent of all U.S. sales of technology and managerial methods are transacted by U.S. firms' foreign affiliates.[19] The parent companies have organised their own system for transferring their innovations to their own affiliates and to independent foreign producers. This transfer is basically a one-way process from parent companies to factories

* It must again be emphasised that, because of the lack of a uniform approach to defining TNCs in American publications, estimates of the impact of multinational corporations on foreign trade and on other economic parametres are difficult and tentative. Nevertheless, the estimates given above do not contradict other estimates. For example, the Tariff Commission also showed that TNCs account for a high proportion of U.S. export (over 70 per cent), export more than they import and that the parent companies have a positive trade balance ($21,400 m. in 1970).[18]

abroad which they may or may not control. Consequently, the value of their technology exports is more than ten times that of their imports.

In this way, the TNCs do quite a lot to strengthen the United States' foreign economic position. Compared to the traditional types of monopoly, the TNCs are more efficient in their economic operations, because they concentrate huge financial resources, technology, a trained workforce and, finally, combine all production resources on a global scale. One way or another, this fact means the further development of capitalist productive forces. But it cannot be regarded solely in this light, in the way that it is presented by numerous foreign experts and politicians, who present multinational corporations almost as saviours of capitalist society. The impact that TNCs have on the U.S. economy can be seen in a different light if account is taken of its objective dialectical contradiction.

Monopolies—and TNCs are no exception—by no means always cause a halt in economic development. The fact is, however, that in this case increasing production efficiency takes place on a narrow basis of private ownership and is carried out in the selfish interests of a small number of people. As a result, there is an uneven development of individual countries, regions and industries, an artificial distortion of existing linkages and proportions, and a sharpening of economic and social conflicts.

As we have seen, modern multinational monopolies make a decisive impact on U.S. foreign trade. A high export quota is combined with a positive trade balance of parent companies. However, the TNCs have changed their attitude towards

foreign markets, which, in their former sense, have practically ceased to exist for them. The tremendous growth of production abroad has led to a quite substantial reduction in the proportion of U.S. enterprises involved in TNC foreign trade. Although TNCs account for half of U.S. exports, this represents only 15 per cent of their total sales abroad if account is taken of output from their foreign affiliates. This ratio between the volume of foreign trade done by monopolies and by the United States as a whole has had an effect on the country's position internationally. It is one of the reasons why the U.S. share in world capitalist exports has fallen steadily—from 18.2 per cent in 1960 to 15.4 per cent in 1970 and 13.0 per cent in 1981.[20]* Thus, as a result of increased TNC production abroad, the value of a country's exports relative to those of others is reduced.

Even more indicative in this respect is the export of products of advanced science-intensive industries: chemicals, engineering goods, and transport equipment. The United States' leading role in the development of these industries largely explains its continuing superiority in the capitalist world. At the same time, the growth of science-intensive industries is extremely closely linked with TNC activity.

On the one hand, TNCs are concentrated pre-

* Evidence that the increased role of foreign affiliates in corporate exports coincides with the weakening in U.S. foreign trade positions may be adduced from such factors as the increased competition facing U.S. goods on foreign markets from TNC foreign affiliates and the direct replacement of U.S. exports by overseas output.

cisely in the technologically advanced American industries, and they account for the bulk of output. On the other hand, the level of monopoly investment abroad is much higher in these industries than domestic investment. The sectors of modern industry which have a high R&D content in their final output are international in character. This is due to their enormous scale and, chiefly, to their great need of funds for development. U.S. TNCs meet these objective needs by increasing production abroad and expanding the international mobilisation of capital. In the 1960s, industries such as general and transport engineering, electronics and chemicals showed higher rates of growth than other manufacturing industries—sales were 18 per cent higher, visible exports 43 per cent higher and overseas expenditure on construction and machinery was double.[21] Changes in U.S. science-intensive exports are shown in Table 22.

Thus, the U.S. share of total and science-intensive exports in the capitalist world has fallen steadily. What is the reason for this? The majority of

Table 22

U.S. Share in Capitalist World Science-Intensive Exports (percentage)

Industry	1962	1970	1979
Organic Chemicals	20.5	25.7	15.0
Plastic Materials	27.8	17.3	13.0
Medical and Pharmaceutical Products	27.6	17.5	16.9
Telecommunications Equipment	28.5	15.2	14.5

Source: *Business Week*, 30 June, 1980, p. 60.

experts refer to the relative decline in competitiveness of U.S. goods and stronger competition from Western Europe and Japan. It is true that these factors should be taken into account in evaluating the relationship between industrially developed countries, but this is no longer a sufficient explanation.

There is at present a rapid and profound internationalisation of economic affairs at the production stage. In these conditions, relative indices can no longer give a true reflection, as they did previously, of the comparative strength and competitiveness of individual countries. To a considerable extent, this is due to the fact that over the last two decades TNCs have become the main channel for the interrelationship and dependency of national capitalist economies. The fact that a growing part of their operations are carried out on foreign territory is not the main thing here. What is above all important is the form in which these operations are undertaken.

U.S. TNCs export considerably more capital and have far more production facilities abroad than do West European and Japanese monopolies. Since national and international export statistics include only those goods produced domestically, the U.S. position is particularly misrepresented. U.S. TNCs sell far fewer parent company goods abroad than goods produced at their foreign affiliates. Companies which operate in other centres of imperialism still export mainly from their home territory and thus increase the value of their country's exports. Thus, at the present time, the weakening in the foreign economic position of a particular capitalist country may be accompanied by a simultaneous

strengthening in the foreign position of its own monopolies. The strength of their position abroad depends primarily on the extent to which they have become TNCs and have rationalised their own production on an international scale. This contradictory dependence between a capitalist state's economic situation and the international level of its monopolies is not only evident in foreign trade indices.

The TNCs try by all manner of means to reap the benefits of the division of labour, the international specialisation and cooperation of production. For this reason, such negative elements of capitalist monopoly as the refusal to produce a new range of goods while approved models still make sufficient profit do not only appear nowadays inside a particular country. If a foreign market guarantees profit on an old line of goods which no longer satisfy consumer demand at home, then their production is still economically advantageous even if the company's position on the national market has weakened. This "paradox" can be found in the U.S. motor industry. "The evidence that U.S. car producers refuse to compete with imports in their domestic market is indisputable,"[22] remarked Leonard Woodcock, one of the former leaders of the United Automobile, Aerospace and Agricultural Implement Workers of America.

In the early 1950s', there was a fast increase in demand on the American market for small cars, while U.S. corporations preferred to expand production of large models abroad through increased specialisation and cooperation. This led to a sharp increase in foreign imports, particularly of Volkswagen models. The compact models introduced by

the Big Three at the end of the 1950s did not help matters, since they were more expensive and less economical in running costs than the imported cars. Moreover, the compact models accounted for only a small proportion of total output. This finally opened the doors to massive imports of Japanese, West German and, to some extent, Swedish and French cars. The Big Three were crowded by the foreign newcomers, whose share of the American market reached 19 per cent in 1981, Volkswagen was the first to open a foreign-owned factory in the United States, but its example is soon to be followed by a number of other firms. This is all happening in one of the most monopolised industries in the United States. Including imports, the Big Three's virtual share of the domestic market is less than 80 per cent. Although General Motors and Ford began to produce minis in 1970, while Chrysler imports the Colt model from Japan for sale in the United States, foreign competition remains strong. The position of foreign companies, their marketing network and contact with consumers are now sufficiently strong to make it difficult to dislodge them. In fact, the TNCs do not even try to, since for them the national market has become only a part, and by no means even the main part, of their world market.

This example from the motor industry shows how TNCs can avoid promoting competitive production in their own country, production which accords with national interest. As a result, the vacuum is quickly sealed by imports. However, the TNCs do not only reap the benefits of the constantly increasing intra-firm division of labour on an international scale. Because the TNCs operate in

all spheres of economic activity and in many states, they are able to take advantage of differences in the cost of labour and its suitability for various operations, and in the level of interest, exchange and taxation rates and tariffs. The TNCs production strategy makes the national economy evermore dependent upon imports. This is what happens in the case of the U.S. motor monopolies, for they are able to expand the production of one particular model as against another.

In the 1970s, the concentration of capital tended to increase in industries most directly affected by the scientific and technological revolution. This happened because of the restructuring of production by TNCs, mainly by American ones, and their relocation abroad both of traditional industries and labour-intensive ones which have become uncompetitive in industrial countries. In this way, the TNCs have contributed to the decline of unprofitable industries geared to the domestic market in which R&D expenditures are comparatively low, technology simple and does not require constant improvement.

The mobility of TNC capital has led to a gradual decline in the United States of backward unprofitable labour-intensive industries. This has, in turn, led to the partial replacement of a number of goods by imports. In 1978, the level of import penetration was as follows: 55.3 per cent for bicycles, motorcycles and mopeds; 52 per cent for domestic electric appliances; 51.4 per cent for leather goods; 46 per cent for electronics, calculators, including parts and components; and 43 per cent for footwear.[23]

Increased import propensity resulting from ex-

pansion of the multinational corporations is accompanied by a reduction of employment in their own country and an increase in the "export" of jobs. Since it is a question of potential employment which could be increased in the United States if there were no investment abroad, it is impossible to quantify the impact TNCs have in this respect. It can only be estimated indirectly, by comparing the number of employees at U.S. TNC factories with those for the country as a whole and foreign affiliates.

The size of the workforce at parent company and foreign plants depends upon the ratio between the capital growth rates at home and abroad. A rapid increase in capital attracts a growing amount of labour, and the expansion of TNC investment confirms this. At the present time, TNC capital abroad is growing faster than at home, and this inevitably leads to a faster increase in employment in factories abroad compared to American ones. Between 1966 and 1970, the number of people employed in the parent companies of 298 TNCs grew by 11.2 per cent. If growth through acquisitions and mergers, which is typical of the TNCs, is excluded, then this figure drops to only 8.3 per cent, compared to an increase in employment over the same period of 9.2 per cent in the private sector and 10.4 per cent for the country as a whole. The size of the TNCs' workforce abroad, however, grew by nearly 25 per cent. According to Tariff Commission estimates, TNC employment increased only by 7.6 per cent, but by 26.5 per cent at firms which they controlled abroad.[24]*

* Similar results emerged from surveys by two other organisations in close contact with multinational cor-

Thus, tentative as they are, various estimates show that cosmopolitanised capital reduces the size of the workforce in the base country, since it is no longer needed for its normal self-expansion and functioning, and instead attracts the necessary amount of labour abroad. TNCs approach the recruitment of labour as a single international process—they offset the reduction in the size of the workforce in the United States by an increase in foreign countries. For the national economy, however, the cut in the number employed by TNCs cannot be offset in the same way, and, therefore, entails an exacerbation of the already severe unemployment problem.

The TNCs' current activities have given rise to a flood of criticism and opinions regarding their direct impact on the U.S. economy. "Although I am not opposed in principle to foreign investment and the multinational corporation," writes the American economist Robert Gilpin, "I have strong

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porations. The U.S. Chamber of Commerce came to the conclusion that between 1960 and 1970 in 121 TNCs covered by its survey the number of employees in the United States increased by 31.1 per cent. Excluding mergers and acquisitions, the increase was only 20 per cent compared to the national figure of 30.3 per cent. Employment in the same TNCs abroad doubled.

In response to a questionnaire organised by the Emergency Committee for American Trade, spokespersons of 74 major companies stated that employment at their domestic factories had increased by 36.5 per cent between 1960 and 1970. If mergers and acquisitions are once again eliminated, the recalculation gives an increase of only 21.6 per cent. There was, however, an almost 100 per cent increase in the number employed by these same companies abroad.[25]

doubts and misgivings with respect to the wisdom of America's continuing heavy reliance upon foreign direct investment as a means of meeting foreign competition, earning foreign exchange, and solving domestic economic problems....

"Is the United States as a nation repeating the error committed by other, once great economic powers, such as The Netherlands in the seventeenth century and Great Britain in the nineteenth, of overinvesting abroad to the detriment of the home economy?"[26] Similar views underlie the demands for strong restrictions on imports and controls on the export of capital. Logically, they are aimed at changing U.S. foreign economic policy, strengthening protectionism and rejecting direct foreign investment as the chief means of U.S. expansion.

Like some U.S. trade union leaders, who hold even more extreme views, Gilpin expresses a petty-bourgeois, largely utopian point of view, hoping to prevent the development of processes and tendencies which are inevitable and objectively caused by the sway of capitalist monopolies. As far back as 1916, Lenin showed that this type of criticism was baseless and futile. "As long as capitalism remains what it is," he wrote, "surplus capital will be utilised not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad.."[27]

The TNCs have a dual and contradictory effect on the U.S. economy. This has an objective basis and is due to the following reasons. On the one hand, TNC operations contribute to an absolute expansion of American exports. The United States

is still the major exporter of goods and technology in the capitalist world. TNCs are particularly active in the export of science-intensive goods, and because of this the U.S. trade balance in these items showed a growing positive surplus in the 1970s.*

On the other hand, the development of TNCs speeds up the relative weakening of the United States' foreign economic position. Its share of world exports falls, particularly in the case of products with a high R&D content. As a consequence of TNC operations, a number of industries have been relocated abroad, and there has been a subsequent increase in imports from these relocated industries. By helping to diminish the United States' role in world trade and contributing to the flight of production, TNCs aggravate the conflict between nation and corporation and intensify contradictions within the national economy. This naturally raises the question of the prospects and opportunities for regulation of TNC activities by the capitalist state.

PROBLEMS OF REGULATING GLOBAL EXPANSION

Under modern capitalism, the proportion for which private monopolies account in the results of national economic development depends on the ef-

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* There is no single definition of "technologically intensive" (or science-intensive) goods in the United States. For this reason, the International Economic Report of the President for 1977 gives three different calculations. Whichever variant is used, the United States' trade balance in science-intensive goods is growing.[28]

fectiveness of the methods available to corporations and the state for influencing the economy.

The United States' economic difficulties caused by the tremendous growth of international monopolies are, nevertheless, bound up with state regulatory measures and their contradictory character. The state which embodies the national domination of the bourgeoisie reflects the interests of this class alone. Hence, its main strategic objective is to ensure general conditions for capitalist reproduction by maintaining a certain stability in the domestic economy.

This objective becomes more difficult to attain, however, because a nation-wide state regulatory mechanism does not, in fact, exist. The state is able to regulate only certain aspects of the reproduction process, chiefly through the use of indirect levers. Moreover, such phenomena as economic recession, inflation and unemployment, which previously had appeared to be incompatible, are now the subject of regulation.

In tackling each of these problems, state regulation relies on methods and measures which contradict one another and which only worsen the instability of the domestic economy. Besides, measures for strengthening the domestic economic situation now, in fact, run completely counter to measures directed towards foreign economic expansion.

The inability of the U.S. administration to carry through its regulatory measures reflects the fact that the level of private monopoly socialisation is higher than that of the country as a whole. Within the giant monopolies, the socialisation of production has actually gone beyond national frontiers.

This explains why state intervention in the economy fails to correspond to monopoly methods for the super-national extraction of profit. At the present stage of state-monopoly capitalist development in the United States, the need to restrict TNC activity because of its harmful consequences is caught up in a whole cluster of urgent economic problems. The lack of any consistent government programme for solving them effectively, which reflects the increasing antagonisms inherent in capitalist reproduction, has an effect on the authorities' attitude towards the TNCs.

One of the major measures taken by the American government to stabilise the national balance of payments was a programme for restricting private capital exports. In 1968, it was made compulsory for companies investing abroad. This represented an attempt by the state to intervene in the distribution of capital by the giant corporations and compel them to enlarge their domestic investment. The attempt ended in failure, however, since TNCs financed an expansion of their foreign operations from their affiliates and local loans.

In 1968, capital exports subject to regulation fell by 20 per cent over the previous year on account of reduced transfers from the United States. Yet, at the same time, the amount of capital which the government allowed companies to use for "purposes necessary and acceptable for them" almost quadrupled (!). The firms decided themselves what was acceptable, and this could include loans from abroad, foreign tax payments, etc.

As a result, in 1968, the government programme controlled the movement abroad of a third of the capital exported in 1967. And, although in 1970

the previous level of control was regained, investments outside the United States had grown immeasurably. This, in fact, demonstrates the virtual failure of the government programme, which was not able to stand up to the monopolies' regular daily work. The state's unsuccessful intervention in the affairs of monopoly capitalism had another consequence, namely a negative impact on the U.S. economy.

"Negative effects of the controls on MNC operations have also been evident," a document of the Office of Foreign Direct Investment admits. "Charging export credits extended by a U.S. firm to its affiliates against the parent's investment allowable appears to have been a negative influence on the U.S. trade account. Although OFDI has a procedure for granting specific authorizations to cover this type of transaction, many corporations still claim that it is insufficient and that they have been forced to allow affiliates to produce goods overseas because of the controls."[29]* Discouraged by the dismal result of its ten-year-long programme, the government rushed to the other extreme and abolished all restrictions on the export of private capital and instead sought to promote it through OPIC.

The failure of government measures to expand domestic rather than foreign investment was due, firstly, to the fact that TNCs had their own special levers for mobilising capital and transferring

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* U.S. company export trade credits amounted to $1,600 m. in 1969. According to certain estimates, this is far greater than the total credit which would have been granted in the absence of Federal control.[30]

funds to their affiliates, which national companies do not possess. Secondly, it was due to the contradictoriness of the state regulation of exports of capital revealed in attempts to restrict it while, at the same time, in fact allowing the corporations to determine the amount of money which would be subject to control by the American authorities.

Taxation is another important area where state regulation has been found wanting and has, in the final analysis, resulted in a worsening of the Federal budgetary situation. The levying of corporate tax has already become a talking point in American affairs. But whereas at home corporations in the majority of cases have to resort to various tax evasion devices, government bodies make things far easier in the case of foreign affiliates.

Taxation is intended as a restrictive measure in regard to monopolies—the appropriation of part of their income. The government's methods for levying taxes from their divisions abroad are, however, so contradictory and ineffective that their contribution to the U.S. Federal budget is more symbolic than real. According to the Tariff Commission, in the early 1970s, the taxes paid by U.S. corporations accounted for less than 6 per cent of their annual incomes received from abroad and liable to taxation, instead of the 48 per cent that was due. Owing to their well-established transfer pricing mechanism, TNCs are able to avoid transferring some of their profits back home and pay taxes in countries where tax rates are lower than in the United States.

The growing need to restrict and control TNC activities comes up against the corporate mechanism for managing its operations which seriously

complicates the implementation of government measures. TNCs are far better able to intervene directly in economic processes and regulate all stages of economic activity on an international scale than the state itself is able to. The intra-corporate system of economic management includes the location of factories in countries as required by the monopolies and the division of labour among them, the mobilisation of capital and of technology throughout the capitalist world, and the organisation of marketing on a global basis. It also includes methods for exploiting better qualified and trained labour than that employed at local enterprises. The TNCs have established a system of internal accounting which is based on transfer pricing and finds expression in the falsification of profits figures in their own interest and in playing on differences in exchange rates. All this threatens to disrupt the government programme, either completely or partially, and runs counter to government measures to develop backward areas, reduce unemployment and inflation rates and maintain a balance of trade and of payments.

Although the question of regulating TNC operations is an urgent one, it is of relatively limited importance. Its solution depends on methods of influencing general processes in the capitalist economy. Attempts to establish control over TNCs pursue one and the same objective: to ensure at least partial stability of the reproduction of social capital.

At the present time, state regulation of economic growth, inflation and unemployment, and the maintenance of the balance of payments have to take account of the international scale of monopoly

activity. However, the TNCs are not themselves the original cause of current economic disruptions but simply an exacerbating factor. The main reasons for them are the inherent defects and antagonisms of capitalist production.

The complex and unusual character of the general problems of capitalist society which is due to the impact of TNCs can be explained by the specific nature of the impact made by this new type of monopoly. The TNCs activities have resulted in "footloose" production, the flight of industries and a different approach to the mobilisation of capital and the recruitment of labour. In the final analysis, the TNCs' private enterprise methods not only escape government control but, even worse, give it a negative and unfounded character from the point of view of the interests of the domestic economy.

In recent years, the discrepancy between the objectives of state regulation—strengthening the foreign economic position of national imperialism and stabilising the domestic economic situation—and the means of achieving them has become much more obvious. TNCs are regarded as the chief means for penetrating and securing a strong position in other countries. For this reason, the U.S. authorities' chief measures in the field of R&D financing, foreign investment insurance and taxation are intended to give them particular support. At the same time, the encouragement given to TNC growth has led to a fall since the mid-1960s in the U.S. share of world trade, in particular science-intensive goods. It has also been accompanied by an unprecedented increase in unemployment, a steady rise in the balance of payments

deficit and a weakening of the dollar. The orientation of policy in favour of the TNCs runs counter to the objectives of state regulation in both domestic and foreign spheres. At the same time, since the state does not possess the necessary levers for influencing TNCs, a whole series of bills and proposals quite often fail to win acceptance in Congress, or are clearly unfeasible.

Growing TNC expansion causes further disruption of the mechanism of state economic regulation. Private monopoly methods of operating such as transfer pricing, mobile transfer of investment and profit from one country to another, factory closures and redundancies, recourse to the capital markets of many countries and anti-trade union policy, carried out on an international scale, are beyond the influence of capitalist governments. Various measures of state intervention have fully revealed their virtual ineffectiveness in controlling TNCs: taxation policy has proved ineffective in the fight against price manipulation and the practice of falsifying profit figures at various affiliates; money and credit policy has failed to stop mass transfers of capital to other countries in anticipation of changes in the exchange rates and socio-political upheavals; anti-trust policy has not been able to stop the acquisition of local firms. Capitalist states do not have effective means of preventing disinvestment, which has hit their economies badly in recent years. The failure of government policy towards the TNCs reflects the crisis affecting the whole system of state-monopoly regulation.

These signs of crisis within the state-monopoly complex do not by any means imply that TNCs

have dropped out of it and turned into some kind of supra-state power. On the contrary, they simply prove the fact that TNCs are a vital constituent element of modern state-monopoly capitalism, closely linked with the state. The conflict between them does not mean that the role of the capitalist state is growing weaker, nor that the state-monopoly character of modern capitalism as a whole has changed.

The growing internationalisation of capitalist production, chiefly through TNCs, compels the state to seek out new forms of relationship with the monopolies. Attempts are made to combine two different types of government policy, namely to secure favourable conditions for the development of international corporate activity in order to promote national economic growth. Joint collective measures by capitalist countries are regarded as an essential condition for implementing these new regulatory methods. In a resolution, the U.S. Senate recommended that appropriate international organisations should draw up a compulsory code of conduct for the TNCs. "The U.S. Government has taken the position," it is noted in one of the presidential international economic reports, "that these generic codes of conduct for MNC's can be helpful in improving the climate for international investment through improved comprehension and acceptability of legitimate multinational corporate interests. . ."[31]

The growing internationalisation of economic affairs saps the foundations of existing systems of state-monopoly capitalism. It poses the question of the impact that the state can have on the course of economic events at the international level. So

long as trade formed the main sphere of relations between nations, capitalist states simply tried to supplement national regulatory levers with international measures. Various organisations, such as the International Bank for Reconstruction and Development, the International Monetary Fund and the General Agreement on Tariffs and Trade, were established and summit meetings to discuss urgent problems became a regular event. However, when production became the chief channel of communication between capitalist countries, the existing mechanism of state intervention ceased to be effective. The new type of international monopoly association had become the constituent element in inter-country relations. These monopolies now account for the overwhelming proportion of world trade in goods and technology, capital exports, and currency and financial operations. This means that the TNCs rather than nationally-based companies now concentrate real economic power in their hands.

It is TNC activity that has undermined and partially destroyed national methods of state regulation. The latter were designed for a much lower level of socialisation than that attained by TNCs. At the same time, the rapid growth of TNCs does not only provide evidence of the ineffectiveness of modern forms of state impact on the course of economic development under modern capitalism. Unlike all previous forms of economic internationalisation, the TNCs make it urgent that the interaction between the state apparatus and the monopolies be changed. TNCs have spread far and wide through the entire capitalist world economy, since they carry out reproduction on a wide

scale beyond the bounds of national territory. TNCs have increased their share of world trade and production in recent years not so much through an increase in their number as through an expansion in the size of existing giants. The number of TNCs had stabilised by the mid-1970s at a about 300-400 (of which about 200 were American), and it is unlikely that there will be any substantial increase in their number.

The same process that occurred in the economies of individual countries at the beginning of the 20th century is now taking place within the capitalist world economy—economic power is becoming crystallised in the hands of a few super-large companies. They have monopolised all areas of economic activity on an international scale: production, financing, technological innovation and invention, trade, as well as trained labour and natural resources. As multinational industrial complexes, TNCs provide the material basis for a new superstructure of interstate forms and methods of regulation.

The EEC is often cited in the literature as an example of the poor effectiveness of international regulatory measures. The failure of Community bodies to implement any serious reforms or establish an economic union was, however, largely due to the lack of a necessary material basis in the shape of European companies, a basis which still has not been formed. It is impossible to explain this failure without taking account of this fact.

At the present time, a small group of TNCs ensures a sufficiently high level of concentration and monopolisation of production to encourage the trend towards establishing a mechanism for in-

terstate intervention in the economy. What we have in mind is not individual measures taken by governments of various countries but the possibility or impossibility of forming some kind of international mechanism for ensuring an interaction between the state and the monopolies.

The progress made in interstate regulation is reflected in the codes of conduct for TNCs drawn up by capitalist international organisations. Such a code has been adopted, for example, by the International Chamber of Commerce. Then, in 1976, the OECD countries signed the Declaration on International Investment and Multinational Enterprise. In general, this document represents an attempt to standardise national methods of control over TNC activity. In particular, the Declaration is based on the assumption that only if states coordinate their actions can they make the TNCs provide the necessary information to each government concerned. To this end, a company's account should include information about its budget, ownership structure, amount of income and its place of origin, and its operational conditions in various countries.

It should be noted that capitalist states adopt the same approach to solving problems regarding the restriction of TNC operations and abuses as in other spheres, such as currency, energy, and raw materials. The Declaration did not envisage joint responsibility by countries for implementing its standardisation proposals. On the contrary, it states quite straightforwardly and unequivocally that "the guidelines set out below are recommendations jointly addressed by Member countries to multinational enterprises operating in their terri-

tories... Observance of the guidelines is voluntary and not legally enforceable".[32]

Experience drawn from the development of national state-monopoly capitalism indicates that it is not enough for the material preconditions to reach maturity to enable the state to implement effective new measures for influencing the economy. The above declaration is intended rather to appease public opinion in the capitalist countries than to effect real progress towards interstate monopoly regulation. It should be realised in this connection that the inter-imperialist struggle, waged in the main by these same TNCs, persists and is becoming sharper on the international arena, along with contradictions between the global designs of the giant monopolies, on the one hand, and the state domination of the bourgeoisie, on the other. As a result, TNCs both confront national imperialisms and are the chief support of their rivalry. This fact largely explains the limited nature of and the contradictions in the international regulation of TNC activity.

The growing crisis in capitalist world economic relations compels the capitalist countries to combine their efforts. The TNCs have acted as a powerful catalyst in the chronic currency and energy crises. They exacerbate the whole complex of contradictions between capitalist and developing countries—economic, political and social. One of the most important problems in reconstructing world economic relations is, therefore, to restrain the TNCs' aggressive intentions.

By distorting relationships and proportionality within the world capitalist economy, the TNCs encourage the trend towards a stronger economic

role for the state at the international level. There is, however, a counter-trend towards confining regulatory measures to the territories of individual countries, which reflects the unceasing struggle between national imperialisms.

The limited nature of interstate intervention in the economic affairs of monopolies is determined by a number of factors, such as the uneven development of national state-monopoly capitalisms and the far from similar power and extent of regulatory measures adopted by capitalist governments. The dissimilarity of forms and methods and of general concepts regarding state-monopoly intervention is also a serious obstacle. Both dirigistes and neo-classicists draw their arguments nowadays not only from theoretical research but also from the practice of individual countries. Finally, some states are subject to different levels of impact from disruptions in the world economy. TNC enterprises, which are the main transmitters of these disruptions, are very unevenly distributed in different parts of the capitalist world.

In the final analysis, the prevailing tendency at the present time is to draw up recommendations and principles guiding policy in relation to capital imports and TNCs at the supranational level. Direct levers for implementing these principles remain in the hands of the state apparatus in individual countries. The objective conditions for the development of national state-monopoly capitalisms, however, present individual governments with different opportunities for influencing and regulating TNC activity and for offsetting their negative effect on the domestic economy. Whether methods, even standardised ones, of interaction

with the monopolies are implemented largely depends on the position and strength of the public sector and the influence and level of organisation of the working-class movement. The important thing, however, is that the main goal of interstate regulation—the stabilisation of the capitalist world economy and its internal interrelationships—is practically unattainable. Real control over TNC activity in the interests of national economic development and of the expansion of world economic ties on a basis of equality is only possible in the event of progressive socio-economic reform and a strengthening of the anti-monopoly front. One of its main lines of advance was noted at the Conference of European Communist and Workers' Parties, which called for greater activity and solidarity in support of the "struggle against the policies of multinational monopolies, which have a negative effect on the working and living conditions of the working people and flagrantly violate the national interests of peoples and sovereignty of states".[33]

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Chapter Six

TRANSNATIONAL CORPORATIONS AND NEO-COLONIALISM

NEW STAGE IN OPPRESSION OF DEVELOPING COUNTRIES

In recent years, the relations between capitalist and developing countries have been marked by a struggle to restructure the international economic order. In the 1970s, the balance of forces between modern capitalism and the developing world has undergone a substantial change, primarily due to the upsurge in the national liberation movement and the formation of a new stage of struggle to attain real independence. Signs of this new phase of struggle are evident in the consistent reinforcement of the economic position of the developing countries, real successes in establishing national sovereignty over their own natural resources and in exercising control over the activities of foreign capital. As a result of the measures that have been taken, the position of national industry has become stronger and the role of the public sector has increased in many newly independent countries. In a number of countries, national liberation revolutions have taken place, which have led to the overthrow of monarchies and dictatorial regimes and which have given an added impetus to the implementation of progressive reforms in social, political and economic affairs.

This new stage of struggle is linked with the programme for a New International Economic

Order (NIEO). Its main propositions are laid down in decisions of a special session of the U.N. General Assembly and have evoked considerable response throughout the world. Despite the inconsistency and half-heartedness of many of its points, the NIEO programme is on the whole anti-imperialist in character, since it attempts to restrict the positions of capitalism in the developing world and to abolish the legacy of the colonial past.

The all-round support given by the socialist community countries has helped to strengthen the role of the newly independent countries. The varied economic, scientific and technological help of the socialist countries and their participation in building major projects in key sectors of the economy were typical in the 1970s. The socialist countries, above all the Soviet Union, have acted resolutely in support of the newly independent countries' just struggle against the intrigues of imperialism and its open military and political intervention in their internal affairs. They have supported the NIEO programme, which they regard as an important step on the way to a democratic restructuring of international relations. While emphasising its anti-imperialist direction, they have, nevertheless, expressed criticism on a number of points, for example, the attempt to equate capitalism and socialism as responsible for the backwardness of the newly independent countries. Relations between the socialist community and the developing world have always been marked by the equal and mutually beneficial nature of their economic cooperation. This is in marked contrast to relations with the imperialist powers, who try to impose new

forms of economic dependence and oppression on the developing countries.

The principal capitalist countries' growing dependence on supplies of primary energy and some raw materials which are in short supply has strengthened the economic role of the developing countries. The worsening of the energy and raw materials problem in the capitalist world which began in 1973-1974 has shown that the West is unable to develop solely on the basis of its own resources.

At the same time, the proletariat, the communist and workers' parties and all progressive forces in the capitalist countries condemn the blatant intervention by modern capitalism in the affairs of the developing countries and the plundering of their national wealth.

The successes of the national liberation struggle have compelled capitalism to reject previous methods of neo-colonialist policy and to start to develop a particular kind of neo-colonialism. Its main aim is to establish through partial reforms the necessary conditions for tackling the new nations' most pressing economic problems. This would open the way for their further involvement in the West's economic system with a view to exploiting their tremendous resources as before and controlling the course of their development. In this way, capitalism tries to prevent any closer economic relationship between the newly independent countries and the socialist community, and transition to a non-capitalist road of development.

The old arsenal of neo-colonialist devices (such as total domination of key sectors of the developing economies by the monopolies and unfair agreements granting concessions) cannot help to achieve

this main aim. It is hoped that by stopping the plundering of natural, material and labour resources, it will be possible to raise the level of the developing economies to meet the demands for economic growth of the industrially developed countries through certain improvements in their financial position, partial industrialisation and the modernisation of energy supplies. The obvious attempts to transform the newly independent countries from world capitalism's agrarian-raw material periphery into its industrial-raw material periphery should be viewed in this light. The partial relocation in developing countries of certain types of industrial production which pollute the environment or which require large amounts of labour, raw materials and energy is an important means to this end.

The crisis of "aid" as a form of relations which grew up during the disintegration of the colonial system is the most characteristic sign of the failure of the old policy. Western "aid" programmes, which were closely bound up with modern capitalism's military and political plans in the former colonies and semi-colonies and which were accompanied by a worsening in their economic situation, have met with failure. It has become necessary to make a closer link between state measures and the activities of monopolies and the task of trade and technological expansion.

The allocation of government funds in the form of loans, credits and subsidies, supplemented with private capital exports, has constituted the initial and basic form of aid programmes. Over time, substantial changes have occurred in the ratio between government and private funds loaned to the developing countries. Between 1961 and 1977, the share

of official (government) aid fell from 65.4 to 37.0 per cent of the total. At the same time, Euro-dollar credits emerged as an important source of private finance, and now accounts for a quarter of all finance sent from the West.[1]

An expansion in the export of private capital is the chief means for implementing capitalism's present strategy, thus confirming the thesis put forward in the Pearson report in 1969.* It argued that in time private capital would play the chief role in the capitalist development of the newly independent countries and would increasingly meet all their financial requirements.[2]

The capitalist countries, above all the United States, have committed themselves to creating a broad, all-embracing system of measures to protect the interests of private capital in the developing countries through investment guarantees and insurance and the promotion of monopoly expansion. The expansion of private capital exports is primarily linked to the activity of transnational corporations. The West hopes, with their help, to solve the problem of supplying the capitalist economy with the necessary products extracted and produced in the newly independent countries—scarce raw materials and fuel, and labour-intensive and "pollutant" goods. The important thing is that TNCs provide modern capitalism with a more flexible and effective mechanism for expansion than any government "aid" programmes.

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* This report was prepared by a group of eminent politicians from capitalist and developing countries under the guidance of the former Canadian Prime Minister Lester Pearson.

The question regarding the present role of international monopolies, which dominate many sectors of the developing countries' economies, has undoubtedly assumed central importance. In the first place, it is important to determine the consequences of their activities for the future development of the newly independent countries and for overcoming their backwardness and dependence. This will enable a correct evaluation to be made of assertions by capitalist politicians and experts to the effect that TNCs act as a catalyst of economic growth and a channel for transferring capital, technology, and managerial skills.

Western companies do not in any way provide developing countries with an inflow of finance for revitalising their economies. In the field of production, this is quite obvious from a comparison of the amount of capital invested and profits repatriated.

Table 23

Direct Foreign Investments in Developing Countries and Profit Outflow, $000 m.

	1970	1975	1976	1977	1978	1979
Direct investments	3.7	10.5	7.8	9.5	11.2	13.5
Repatriated profits	7.1	9.7	10.2	8.8	10.0	15.0

Sources: Doc. U.N. TD/B/C. 3/158, 14 May 1979, p. 7; *Development Cooperation* (for the respective years).

In the 1970s, approximately $100,000 m. foreign capital was invested in the developing countries, while about $100,000 m. was exported in the form of profits on these investments.[3] The total

volume of direct foreign investment in the developing world amounted at the end of 1979 to $110,000 m.[4] A considerable part of this investment was financed through loans in local capital markets. The harmful role played by monopolies becomes more obvious when account is taken of the enormous payments made by newly independent countries for private loans, technology, and of the increased financing of investments through local capital markets.

The financial balance between developing countries and capitalist states gives a clear picture of the ratio between the total inflow and outflow of capital, including concealed payments (payments for acquired technology).

Table 24

Financial Balance Between Developed Capitalist and Developing Countries, $000 m.

	1975	1976	1977
Financial Inflow, Total	40.4	50.7	49.5
of which			
official	16.6	17.0	18.0
private	23.8	23.7	31.5
Financial Outflow, Total	35.9	42.3	48.8
of which			
debt and interest repayment on private and official loans	24.2	30.1	35.2
export of profit on direct investments	9.7	10.2	11.6
income transfers for technology and managerial service payments	2.0	2.0	2.0

Sources: Doc. U.N. TD/B/C. 3/158, p. 7; *Development Cooperation, 1978 Review*, pp. 201, 202, 216, 249.

Table 24 shows clearly that the industrially developed countries, on the whole, import approximately the same amount of funds from the developing countries as they invest in them, and during certain periods even more. It should also be stressed that TNC investments are distributed extremely unequally in the newly independent countries. At the end of 1976, only 8.2 per cent of direct foreign investment was located in the poorer countries with a per capita gross national product of less than $200 in which, however, about 60 per cent of the population in the developing world lived.[5] In practice, the TNCs ignore the needs of the least developed countries and thereby increase their backwardness in relation to the industrial countries, and moreover, reinforce economic inequalities within the developing world.

Naturally, statistics about the scale of financial oppression do not give a full picture of the entire system of TNC exploitation of the developing countries. This purpose is primarily served by new forms of TNC expansion within their general strategy of adapting to the current situation. Attention must also be paid to the basic methods of TNC activity in the newly independent countries, which do their economies serious harm.

Quite obviously, the TNCs current economic strategy is shaped by the radical change that has taken place in the political situation of developing countries. The countries of Asia, Africa and Latin America are making more determined use in their policies of such a measure as the complete or partial nationalisation of foreign-owned property. Algeria, Angola, Ethiopia, Indonesia, Tanzania, Uganda, India, Libya, Peru, and Zambia are among

those countries which between 1960 and 1976 implemented more than 30 acts of nationalisation. The average annual number of nationalisation acts has increased from 47 in the 1960s to 140 in the 1970s.[6] During this period, the newly independent countries acted more severely against U.S. companies as the leaders of neo-colonial expansion than against the monopolies of Britain and France, former colonial powers.

Nationalisation primarily affects companies engaged in the production of minerals, agricultural produce, and oil, since their scale of activity in developing countries is still greater than that of manufacturing companies. Between 1970 and 1976, there were 402 nationalisation acts against Western firms in mining, the oil industry and agriculture out of a total of 914 in all sectors of the economy.[7]

The unfavourable investment climate that exists in many developing countries compels the TNCs to take more active steps to introduce new forms of expansion. In current practice, in place of the outdated concessional set-up, major Western monopolies have recourse not only to joint venture companies, which have already been referred to, but also to licensing and management contracts, service contracts, marketing agreements and agreements on turnkey projects and production sharing. They do not entail major investment and are not, therefore, associated with any substantial risk.

This trend in TNC activity, which had only begun to appear in the early 1970s, has now become firmly established. It has been helped by the policy of developing countries which have promoted the formation of joint companies through granting them certain concessions and, to a still

greater degree, agreements between TNCs, on the one hand, and local firms and government organisations, on the other, which do not involve any joint ownership.

A joint venture is organised on a parity basis, and a TNC does not hold a major part of the share capital. For this reason, the TNC adopts various supplementary methods of control in order to ensure that, even though it does not own a majority of shares, it is in charge and can subordinate the joint venture to its own global strategy. Characteristically, the whole mechanism of control over joint ventures is obviously based on the fact that many countries badly need financial and material resources, the latest technology, and the benefit of advanced experience in the organisation and management of production. This kind of policy forms the natural expression of a completely new type of TNC colonialism.

The equal distribution of shares in joint companies does not guarantee the developing countries access to world markets or to the technology and resources they require. Among the factors which may impede the newly independent countries from making effective use of jointly owned enterprises in the interests of their own economic development, U.N. experts have pointed to the voting system frequently imposed by TNCs on their partners, their technical and financial impact on the new management, and, finally, the straightforward lack of skills and training by managers appointed by the developing country's government.[8] In setting up joint companies, the TNCs manage to retain for themselves the right to decide such key questions as the area of operations for the

new enterprise, the sale of part of its assets, the issuing of additional shares or securities convertible into share capital or loans above permitted limits, the use of resources to expand production and various extra measures.

Various kinds of management contracts concluded with local partners play a special role among the methods ensuring TNC control over joint ventures. They may be fairly wide-ranging as to content. Through them, a TNC attempts to obtain the majority of places for its representatives on the board of directors of the joint enterprise. When this is not possible, the TNC agrees to equal representation on the board, but in this case it tries to insert into the contract a clause according to which its position prevails in cases of conflict. If this is not possible either, the TNC takes the extreme step of trying to have included in the contract a clause which gives it the right to impose a veto on any decision.

The TNC also tries to reserve for itself the right to select and appoint members of the executive board. While the board of directors determines the main lines of activity of the joint company, the executive board takes charge of its day-to-day running. Since the board of directors is responsible for the overall management of the company and the appointment of the main managerial staff, it can, in principle, overrule any decision by the executive board, but such instances of intervention in operational matters are fairly rare. Thus, even if a TNC is not in a majority but is able to select the executive staff, it is largely able to ensure control over the joint enterprise. In order to reinforce their position, many TNCs try to reserve for

themselves the post of managing director for production and technical matters. Of the three top managers responsible for the operational running of Merck, Sharp and Dohme of India (a joint company of the U.S. pharmaceutical company Merck), the managing director is an Indian, the head of marketing an Australian, while the production department is headed by an American.[9]

The TNCs, which have emerged at the new stage of development of finance capital, are also internationalising the methods of its domination. Even when they do not own the bulk of the property, they try to secure the voting results or share of income that they need by issuing and carefully distributing two types of shares—preferential and ordinary.

The TNCs also resort to an active dilution of shares when they enter into alliance not with a single but with two or more foreign firms, and in this way obtain a greater proportion of shares than they would have done if shares had been distributed on a parity basis. Such methods are undoubtedly rooted in the enormous economic power of the TNCs, their edge on local partners, their extensive linkages with banks in many countries and, finally, their rich experience of all types of financial operations and manipulations.

The dilution of shares is achieved by the tried-and-tested method of selling them on local security markets. This public sale of shares creates a large number of small shareholders, who take no direct part in running the company. For example, about half the shares in joint ventures with the participation of Merck, Union Carbide and Pfizer in India and by Kaiser in Brazil were distributed

in this manner, and yet the U.S. corporations retained managerial control.[10]

The joint company Coromandel Fertilizers Ltd. provides a striking example of the methods of control used by multinational monopolies. This firm was set up in India by two American companies, Shevron Chemical and International Minerals & Chemical. Over half its share capital was dispersed between the Indian company EID-Parry Ltd., financial institutions and private individuals. As a result, although local owners hold a majority of shares and Parry plays an important role as chief trading agent and marketing cousultant, the U.S. corporations have half of the places on the board of directors and, through their own managers, have a decisive impact on its day-to-day running.[11]

Besides imposing restrictions in management contracts on their local partners, the TNCs have recourse to methods of a different character. Although they are not directly connected with management, they are no less effective. Joint ventures are controlled through licensing agreements, which make them operationally dependent on production licences supplied by the TNC. Agreements of this kind often impose binding clauses on the joint enterprise to purchase parts or components from the TNC. This applies, for example, to the General Motors company in Japan, which the parent company set up jointly with three local firms and in which it holds 50 per cent of the shares. Its operations are based on the import from the United States of automatic transmissions for assembly into the lorries which it produces.

Apart from that, the joint venture corporation at the present time also purchases gas turbines ma-

nufactured by General Motors. Similar contracts for leasing plant produced by the TNC and various types of agreements on technical and financial participation are also imposed on joint enterprises.

The marketing of goods holds a special place in the control methods used by TNCs. Their customary strategy of dividing up markets and allocating them to affiliates in a particular country or group of countries is also extended to their joint venture companies. This is done in two main ways: either the TNC handles the export of output from a joint venture through a wholly owned marketing subsidiary, or the joint venture's marketing area is restricted to the country of its location or, more often, to the adjacent region. This practice is followed by General Motors in Thailand, Caterpillar Tractor in Japan and India, Xerox and Singer in Japan, and Radio Corporation of America in Taiwan. In the main, these TNCs try for 100 per cent ownership of foreign affiliates. In the case of the above-mentioned TNCs, the most typical methods of control over joint ventures are limiting their production and economic operations, and thus virtually subordinating them to the interests of the supermonopolies.

The overwhelming majority of joint ventures in developing countries are set up by TNCs on the basis of various restrictive contracts and agreements. It is fairly easy to impose partnership terms which limit their degree of control over the joint venture on local enterprises and firms which are financially and economically weak.

For this reason, the newly independent countries have had increasing recourse in recent years to

contractual forms of relationship with TNCs which do not entail common ownership. Among these new, increasingly widespread forms of TNC activity, agreements on technological participation hold an important place. Under them, for a special fee, a TNC is to supply technical services for a particular project. The TNC does not participate in ownership at any stage of work on the project.

Under these agreements, unlike in the case of concessions, service contracts or production sharing, the TNCs take no part in financing the project. This is done by the developing countries themselves, which have at their disposal all the necessary natural resources, machinery and means of production. A TNC provides technical services in the form of assistance at all phases of work on the project. They include geological, engineering and metallurgical development work, the entire procedure of carrying out the project, training programmes, and the provision of information. The TNC does not, however, have any responsibility for marketing or market research, and is not obliged to purchase any of the resulting output.

Note should finally be taken of fixed-duration agreements on the organisation of industrial complexes, which may affect either the production of analogous articles in different countries or the output of components for assembly into the final product.

In the 1970s, IBM was carrying out a contract in the electronic computer industry with Argentina, Brazil, Chile and Uruguay. It provided for the production of computer components in Brazil and their assembly at an IBM factory in Argentina.

The Chilean firm had a licence to produce punch-cards, while the head office which managed the programme was sited in Uruguay. The purpose of this agreement was announced to be the development of industrial cooperation in Latin America. Owing to this contract, IBM, for its part, obtained the right of customs-free trade in four Latin American countries and gained the opportunity to secure a strong position in their economies quite painlessly.

In assessing the role of joint ventures and various agreements in TNC activity, the following should be borne in mind. TNCs form the main channel of neo-colonialist expansion. In present historical conditions, they are increasingly compelled to abandon their previous extremely crude and explicit methods for exploiting the developing countries. It is, however, only in a very restricted sense that the real nature of the new forms of TNC expansion can be described as aid to the newly independent countries. This is, in fact, "aid" for the development of capitalism in those areas where it is weak, and, thus, for the establishment of the necessary socio-economic basis for the activity of Western monopolies.

In the final analysis, the increasing number of joint ventures, agreements and contracts is intended not only to preserve the position of the finance capital of the United States and other capitalist countries in this new historical situation but also to strengthen the big bourgeoisie in certain developing countries. There are people there who, owing to their cooperation with capitalism, own tremendous wealth and for this reason often ally with it. This close alliance corresponds to the

interests of the monopolies. In adjusting their activity to the needs of the developing countries, the TNCs are, in fact, using them to extend their own economic, political and ideological influence.

MONOPOLY PRACTICES AND THE PRESERVATION OF BACKWARDNESS

The "restrictive business practices" of transnational corporations have become a serious obstacle in the way of newly independent countries' taking an active and equal part in world economic relations and the international division of labour. They comprise the inclusion of a whole number of conditions and reservations in agreements with developing countries, the use of secret and quite open methods of stifling local competitors, including cartel-type agreements, the manipulation of prices for monopoly goods and speculation. The aim of this whole complex of measures is to suppress competition, impose unequal conditions on local partners and prevent them from strengthening their position in the world market.

The TNCs have been able to adopt these methods widely because they control the vital elements of production, the latest types of plant and machinery, and the latest technology. Because of their global strength and applying various forms of relationship, the TNCs regulate the main channels for marketing goods and diffusing expertise. They now have complete control of the international technology market, accounting for about 90 per cent of the capitalist world licensing trade. Their

monopoly position in the production and marketing of most goods enables them to impose various restrictions in export and technology transfer agreements. Moreover, they have extremely varied channels for exercising their economic power. According to estimates published in a UNCTAD report, the TNCs to various extent control 35-40 per cent of the export of various electrical goods to the developing countries. Intra-firm trade accounts for approximately 15 per cent of exports, international cartel-type agreements cover about 13 per cent, national export cartels—6 per cent and the "informal" practices of Western corporations—4 per cent of total deliveries of electrical goods (engines, power generators, etc.) to the developing countries.[12]

In recent years, an internationally competitive national industry has begun to emerge in a number of independent countries. Export earnings provide substantial funds for economic development and help to improve the balance of payment. Since they regard these national enterprises as new competitors, the TNCs try to deny them access to foreign markets. Their aid and service contracts either completely forbid the export of goods (this type of clause is included in 81 per cent of TNC contracts with firms in Bolivia, Colombia, Ecuador and Peru) or fix quotas and define markets (86 per cent of contracts).[13]

Restrictions on the transfer of technology. The acquisition of technology poses an extremely serious problem for newly independent countries, for it is in this area that they lag especially far behind industrially developed countries. The number of national enterprises which obtain services and tech-

nology by means of licensing agreements with TNCs is growing all the time. In 1975, the developing countries paid $1,100 m. to the monopolies for patents, licences, trademarks and managerial services, while by 1985 these payments will have increased to $6,000 m. a year.

The TNCs take advantage of the objective difficulties facing the developing economies and change the transfer of technology into a new means of pushing their own products. It is common to find clauses in licensing agreements regarding conditional orders which oblige the developing countries to buy machinery, plant, semi-finished goods and spare parts from the same TNC from which they have purchased the technology. UNCTAD experts have concluded that "by far the most important reason [for this] ... is the use of tied-purchase clauses as a mechanism for withdrawing profits from developing countries".[14] Agreements with TNCs tie national enterprises either completely or in part to a single source of supply. As a result, the newly independent countries are obliged to purchase materials and equipment at monopoly-high prices.

There are widespread restrictions on the export of goods produced on the basis of acquired technology. Over 90 per cent of TNC contracts in Mexico, Peru and Chile, and over 70 per cent in Bolivia, Colombia and Ecuador contained such restrictive clauses.[15] Besides clauses which directly prohibit export and establish conditional purchases, contracts can include clauses such as the mandatory purchase of patents and trademarks unconnected with the transfer of technology; price fixing of final output; prohibition of the produc-

tion or sale of similar goods; protection of know-how secrets until the agreement expires or even subsequently; control by the licensor over the quality and volume of sales of output; and the settling of all disputes in the TNCs' home countries.

All these stipulations, as well as the fixing of production and export quotas and the obligatory channelling of exports only through specific firms connected with the TNCs, are discriminatory in character. The scientific and technological dependency of the newly independent countries is considerably aggravated by stipulations to preserve the secrecy of acquired production expertise and hand back the rights to this expertise, together with any improvement, to the licensor once the agreement has terminated. These stipulations prevent the spread of essential technology. As a result, national enterprises which do not have agreements with TNCs are deprived of access to know-how, managerial experience, etc., available in the country and are forced to have recourse to additional agreements with foreign monopolies. Hence, there is an inevitable increase in foreign exchange expenditures by developing countries on the repeated import of identical technology, which, moreover, quickly becomes out-of-date.

Monopolies' pricing practices and the widespread use of transfer prices seriously undermine the economic position of newly independent countries. This has happened on an international scale because of the growing monopolisation of world trade, as shown not only by the concentration of up to 60 per cent of world capitalist exports in the hands of the TNCs but in the substantial volume of intra-firm trade. This new form of mon-

opolisation now covers up to a third of world trade turnover.

The deliveries between enterprises in different countries within the framework of a TNC form a considerable share in the foreign trade of developing countries. Thus, in Latin America approximately 50 per cent of all exports and 40 per cent of imports occur as intra-firm sales, bypassing the market.

A paper drawn up for the UNCTAD Fifth Session in Manila points out that the intra-firm trade of TNCs has significant consequences for developing countries since the possibilities and the scale of price manipulation are much greater than in traditional market trade.[16]

Transfer pricing practices help to conceal the real scale of the financial plunder of developing countries. In their official accounts, TNC affiliates usually understate profits while the profits are themselves transferred abroad secretly with the help of various manipulations within the firm. In this way, TNCs avoid restrictions on the transfer of their income abroad and reduce their tax liability through misinforming the local authorities about the real profitability of their operations.

Including payments for technical and other services, the overall profitability of U.S.-based TNC manufacturing affiliates in developing countries is 23.2 per cent as against the officially declared 19.8 per cent.[17] Or take another example. The official and actual levels of foreign-affiliate profitability in the pharmaceutical industry in Colombia were respectively 6.7 and 79.1 per cent. Declared profits accounted for only 3.4 per cent of actual income, while payment for technical servi-

ces accounted for 14 per cent and inflated prices for 82.6 per cent.[18]

As a rule TNCs raise prices on goods supplied to their enterprises in developing countries and lower prices on output received from their affiliates. In Latin America, three-quarters of all manufacturing TNCs make general use of transfer pricing. Their export prices are on average 40-62 per cent lower than those of local firms. At the same time, their affiliates' import prices are 60-132 per cent higher in the petrochemical, electronics, pharmaceutical, rubber and motor industries. In the three last industries, the TNCs have received 82 per cent of their profit exclusively thanks to intra-firm manipulations.[19]

Besides using transfer prices, TNCs actively raise loans and credits on national capital markets. Not infrequently, local banks provide them with more credit and at lower interest rates than they do national companies. For example, in Chile, foreign firms receive twice as much credit against the same amount of assets as local firms.[20] In Argentina, during a period of severe shortages of loan capital, credits to national companies were cut by 42 per cent, while those supplied to TNCs were, in fact, increased by 20 per cent.[21]

By manipulating prices, the monopolies reduce the amount of taxes they pay and thus the amount of payments into the budget of developing countries. The practice adopted in financing TNC operations causes a depletion of national capital markets and diverts the extremely scarce finance to meet the requirements of capitalist firms. This severely reduces the possibilities open to newly independent countries to finance the development of

their national economy and establish their own industry, thus helping to preserve their economic backwardness.

The cartel-type agreements concluded by TNCs pursue the prime objective of fixing and maintaining monopoly prices on cartelised output at as high a level as possible. The discrepancy between the prices charged by cartel members in the markets of industrially developed and developing countries is so great that it can only be explained by monopoly practices. Thus, an agreement on selling transformers was reached within the International Electrical Association and was much more actively implemented after the " 'H' Procedure" had been instituted in 1973. It foresaw the extension of cartel practices in the main to developing countries. The Saudi Arabian government declared in this connection that a number of Western companies were practising price discrimination by charging higher prices for electrical goods exported to Saudi Arabia than to developed countries. The surcharge was between 200 and 400 per cent.[22]

When local competition is weak or entirely absent, collusive agreements betwen TNCs enable cartels in developing countries to apply much harsher measures than in industrially developed ones. The cartels establish uniform export prices and quotas and uniform terms of payment, tie consumers to monopoly sources of supply and oblige local producers to sell their goods through a common marketing network.

The location of TNC affiliates of various national origins in a particular developing country lays the basis for applying methods which in industrialised countries quite obviously constitute a gross

violation of anti-trust or commercial legislation. Indeed, cartel practices in developing countries not infrequently entail a violation of criminal law. Reference may be made to the blocking of supplies of raw materials, cancellation of deals in order to eliminate outsiders—national producers—by ruining them, and creating conditions of economic instability and chaos. For example, in Brazil, nine leading Western monopolies tried to suppress the local electrical engineering industry through a collusive agreement. They cut their prices, stretched out delivery schedules and supplied defective materials causing accidents. This sabotage was financed by a special fund, to which each member of the cartel contributed 2 per cent of the fixed retail price of goods sold under contract.

MAINTENANCE OF ECONOMIC INEQUALITY

TNC expansion has given rise to certain changes in the developing countries' position within the system of world capitalism. The expansion of capital exports to their manufacturing industry has, in particular, given a new perspective on this matter. The changes that have taken place are particularly obvious when compared with capitalism's previous policy towards the underdeveloped dependent countries and territories, in the same way as the formal character of these changes, with subordination and dependency substantially preserved, is obvious too.

Under capitalism, when the domination of machine production is established, "large-scale in-

dustry, detached from the national soil, depends entirely on the world market, on international exchange, on an international division of labour".[23] There is a close interconnection between the development of capitalism within particular countries and the international sphere of economic relations, and the character of the international division of labour. Marx disclosed the nature of these relations within the capitalist world system: "A new and international division of labour, a division suited to the requirements of the chief centres of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field."[24] This distribution of various kinds of production between countries and territories reflected the different level of their economic and especially their industrial development. Hence, there emerged the possibility for stronger countries to enslave weaker "agrarian" countries and territories.

The development of monopolies and the expansion of their activities in colonies at the stage of imperialism, which decisively strengthened this trend, was also accompanied by the spread of capitalist production relations. "Obviously, concentration *also* comes about with the annexation of colonies," Lenin stressed. "There was formerly an economic distinction between the colonies and the European peoples . . . the colonies having been drawn into *commodity* exchange but not into capitalist *production*. Imperialism changed this. Imperialism is, among other things, the export of *capital*."[25] In the era of free competition, international relations covered only the sphere of exchange.

Therefore, the way that some parts of the world lagged behind others only became apparent on the market, where goods of different cost competed against each other. Naturally, the cost of machine-production goods was lower, because they contained less living and more embodied labour. The developed nations, however, were interested in the direct oppression of backward areas, which was only possible in the sphere of production. The export of capital and direct monopoly investment in production became the chief means of realising this aim.

Under imperialism, it is the export of capital that is the chief means of shaping and altering the international division of labour. By exporting capital to particular countries and sectors of production, monopolies affect the structure and proportions of production, its specialisation and cooperation, and the choice of production for particular countries.

As a result of the disintegration and collapse of the colonial system in the post-war period, the majority of oppressed countries achieved their political independence, but their economic dependence persisted, and this was primarily due to their unequal position in the capitalist system of the international division of labour. The capitalist countries reserved for themselves the production of manufactures, plant and machinery, and basic tools and instruments, while the former colonies continued to specialise, on the whole, in the production of minerals and fuel and agricultural products.

It is, moreover, important to note that many underdeveloped economies developed on the basis of specialisation in a single crop or single product.

This meant that their future depended on the production of one or two products (coffee, cocoa, bananas or, in other cases, oil, aluminium, copper, uranium, rubber) and on world demand for these goods. Since the main economic levers, including the world pricing mechanism, were under the control of capitalist countries and monopolies, the backwardness of the newly independent countries became ever greater. The price scissors became a serious impediment to their equal development: manufactured goods from industrial countries were sold at monopoly-high prices, while fuel, raw materials and agricultural products from the developing world were sold at monopoly-low prices. Though free from colonial dependence, these countries continued to fulfil the function of agrarian and raw material appendages of imperialism. While retaining free access to the developing countries' natural resources, the monopolies continued to invest in the extractive sectors of the economy and in agriculture.

In the late 1960s and particularly in the 1970s, the situation began to change. The scientific and technological revolution raised the question about a change in the strategy of imperialism and, in particular, the investment policy of monopolies in the newly independent countries. The latter's agrarian-raw material and monocultural development acted as a brake on the productive forces in the former imperial countries. In addition to these economic factors, political events and the formulation by the developing world of their programmatic demands had tremendous importance.

In order to tackle the serious problems facing world capitalism, which are due to the enormous

disparities in economic development levels in its various regions, bourgeois experts have put forward their own recipes for restructuring the international division of labour. Their chief aim was to prove the following: changes in the international division of labour and the deployment of a number of manufacturing industries in developing countries would form the basis for their economic growth; private capital exports by multinational companies would be the main form of support for this growth.

The well-known Dutch economist Jan Tinbergen put forward an exemplary scheme for the division of labour and production specialisation by particular developing countries, which reflected a general approach to this problem by bourgeois experts. In the tradition of neo-classical theory, he considered that each country should specialise in the production of some or other product depending on the availability of the appropriate factors of production—land, labour, capital, etc. Goods which could not advantageously be produced should be imported from abroad. Obviously, this approach, as well as reflecting the influence of the neo-classicists, reverberates with echoes from Ricardo's theory of comparative costs.

Tinbergen proposed that the time had come for a collective redistribution of economic sectors so that they corresponded to actual and potential factors. In some cases, certain industries and trade in certain commodities should be curtailed and even completely abolished, and in others, on the contrary, they should be expanded or established. The curtailment and abolition of production should take place in industrial capitalist countries, while its organisation and expansion should happen in

the developing countries. For example, in the least developed countries of Central Africa, and also in China and Pakistan, Tinbergen proposed locating the major part of the textile industry; in India, production of steel and simple metal goods; and in Egypt, Mexico, Brazil and some Caribbean countries, clothing and canning. If the industrially developed countries were to give up a substantial share of this sort of production, they could then concentrate on producing and exporting more complex goods, whereas the developing countries would gain large markets for their goods.

It was intended, in practice, to achieve this type of restructuring by means of TNC investment in developing economies. Wrote Tinbergen: "A special role in the search for the best international division of labour can be played by the multinational enterprise, especially if it has branch units in developing as well as developed countries."[26]

Tinbergen's proposals are notable because they clearly reveal the perception by bourgeois experts of changes in the international division of labour and are very typical and characteristic. At the same time, these proposals were put forward in a period when these shifts were only just beginning to emerge and when the new trend towards a redistribution of duties between capitalist and developing countries had begun to take shape. The actual changes were far more sweeping than even the Dutch economist had foreseen. Not only those fairly simple traditional industries which Tinbergen had noted, but also separate operational stages in advanced sectors of industry, were gradually relocated to the newly independent countries. However, the facts and economic events of the 1970s

also gave convincing proof of the inherent defects and the apologetic nature of Tinbergen's concepts and similar theories.

Above all, it was futile to assert that the newly independent countries could and should achieve economic growth through the import of capital from imperialist countries. As already noted, "aid" to developing countries through the export of private capital became one of the key points in the foreign economic strategy of modern capitalism. TNC activity promoted growth only in some sectors of industry, and precisely in those where capital could be used to the greatest profit. These sectors turned either into an enclave in relation to the rest of the economy (such as electronics, car assembly, etc.) or were completely insignificant and unimportant from the point of view of the overall economic development of newly independent countries and their industrialisation.

The apologetic character of bourgeois concepts regarding the international division of labour is evident in their attempt to justify, firstly, the relocation to the developing world of the output of simple products, which do not require skilled labour, and out-of-date production lines; secondly, the use of cheap surplus labour in labour-intensive operations, which is viewed as a means of reducing unemployment.

Bourgeois experts unambiguously proposed that capitalist states and monopolies should regear their economies to the most dynamic and potentially promising sectors of industry, while the developing countries should concentrate on producing simple or labour-intensive goods using simple routine technology. The TNCs are putting these recommenda-

tions into practice. From the point of view of the TNCs' influence on the position of the developing countries in the international division of labour, it is particularly expedient to survey the current situation in the extractive industries and labour-intensive sectors. The point is that the extractive industries continue to play a key role in TNC investment, while the development of labour-intensive sectors is connected with important social problems for the newly independent countries.

The principles governing the intra-firm division of labour within TNCs have been analysed in detail in Chapter Two. Despite the existence of certain economic factors which favour the processing of raw materials in developing countries (cheap energy, which accounts for about half of production costs in aluminium and a number of other metals; low transport costs, which allow savings in bauxite production, for example, of a third of the total value), there is still a prevailing tendency lo locate TNC processing plants in industrial countries where the raw materials are consumed. A U.N. analysis says: "It is the transnational corporation's world-wide interest structure which must be weighed against the advantages offered by the host country. In such cases as those described, foreign affiliates act less as catalysts for industrialisation than as instruments for maintaining and promoting the established structure of a transnational corporation's operations."[27]

TNCs also try to minimise the risk of nationalisation in developing countries. As a result, capital exports are at times redirected to extractive industries in capitalist countries. In turn, this diversification of raw material supplies has resulted

in that the developing countries' share of total operating expenditures in the extractive industries in the capitalist world has fallen steadily: from 34.6 per cent in 1961-1965, to 30 per cent in 1966-1970, and, finally, to 14.4 per cent in 1971-1975.[28]

TNC capital exports in the motor and agricultural machinery industries, electronics, electrical engineering and the computer industry have led to a certain amount of growth in the newly independent countries, but this is in no way full-scale production but only some elements of it.

Capital for producing complex technological plant and machinery is exported to industrially developed countries. The output of advanced science-intensive products is concentrated in factories located in these countries in particular. This production requires large amounts of capital and use of the latest materials and technology and is based on highly skilled labour. Obviously, for the time being, these key factors of production do not exist in developing countries.

At the same time, TNCs export capital to developing countries, especially Mexico, the Caribbean countries, Southeast Asia and the Far East, for assembly-line operations based on labour-intensive technology. Industries which require large amounts of labour are moved to the developing countries, because of the availability of cheap labour. Production the TNCs set up there is based on rather low-skilled labour.

Recently, the monopolies have expanded manufacturing production in the developing countries. At the same time, their operations in extractive industries have shown a relative fall. But the

main question which arises in this connection is whether there has been a principal change in the position and role of developing countries in the international division of labour under the impact of recent trends in TNC activity. There are plenty of grounds for stating that the role imposed by TNCs on developing countries in the present-day world is contrary to their basic interests.

Monopoly practices are in direct conflict with one of the main demands of the NIEO programme—observance of national plans and development priorities. TNC activity prevents the achievement of the main development goal, that of economic industrialisation, and acts as a brake on increased participation by the developing countries in the international division of labour.

Obviously, the energy and raw material sectors must be comprehensively developed if there is to be real industrialisation as the baseline for economic growth. Hence, there arises the need for a substantial expansion in the processing of raw materials directly in the newly independent countries where they are extracted. But the way in which supermonopolies exploit the developing countries' natural wealth severely limits their opportunities for industrial development on the basis of their own resources. As we have seen, TNC activity implies the choice of optimal location for each stage of production. The share held by developing countries at different stages of the extraction and processing of raw materials naturally does not coincide with the share of TNCs, since national enterprises occupy a significant place in the extractive industries. Nevertheless, TNCs have a substantial effect on the developing countries' po-

sition because of their dominating role in the processing of raw materials.*

There is a fairly clear trend in the share of developing countries in extractive industries in the capitalist world. They, in fact, play a significant

Table 25

Developing Countries' Share of Capitalist World's Raw Materials Production (per cent)

	Steel	Copper	Aluminium	Oil
Extraction	34	46	59	62
Smelting	5	40	30[1]	—
Refining	10	23	7	24
Marketing	9	5	6	21

[1] Alumina

Source: *Transnational Corporations and the Processing...*, Annex, pp. 8, 13.

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* By 1975, a number of acts of nationalisation in these countries brought down the share of the eight largest Western companies in copper mining to 20 per cent compared to 57 per cent in 1970, but in copper refining it was 45 per cent. Six leading corporations had over half the capacity in the extraction of bauxite, 75 per cent in the production of alumina and about 60 per cent in the production of aluminium. Even in the oil industry, where nationalisation in the 1970s was the widest, only the Big Seven had their share reduced, while that of other companies increased. As a result, in 1975, the Big Seven accounted for 30 per cent of all oil in the capitalist world as against 82 per cent in 1963. However, it accounted for 47 per cent in all oil refining and 45 per cent of marketing, while other capitalist countries accounted respectively for 20 and 34 per cent.[20]

role only in the extraction of raw materials and fuel. At the refining and marketing stages of all main types of materials their share is quite insignificant.

The same ratio can be observed in the production of nickel, iron and steel. For instance, the developing countries smelt only 14 per cent of nickel (in 1955—2 per cent) and 10 per cent of iron.[20] Thus, despite certain changes, particularly at the extraction stage, there have been no radical changes in the developing countries' position in the extractive industries. Since the final commodity, rather than initial extraction, is decisive in production, one can say that the developing countries still occupy a subordinate role in the fuel and raw materials sphere of the world capitalist economy.

The division of labour put forward by TNCs also has a negative effect on the position of developing countries in manufacturing. The capitalist powers connect the relocation of labour-intensive industry to Asia, Africa and Latin America with the export of capital by TNCs. When they invest their capital in developing countries, TNCs draw into production a considerable number of workers. But their skills are extremely low, since a high level is not needed for labour-intensive operations. As a result, workers are relegated to unskilled work, even though they are employed in such advanced manufacturing industries as electronics, computers and motors.

Enterprises which produce goods with a high labour content are chiefly engaged in assembly work or simple output. This function determines their subordinate role in the technological cycle which is fully controlled by TNCs. Despite the fact that

certain parts of manufacturing are located in the newly independent countries, their unequal position in the international capitalist division of labour has not changed in any significant way.

The facts show that the newly-independent countries' adaptation to the conditions and requirements of modern industrial production is assuming a form unacceptable to them and often simply distorted. In order to reduce their production costs and increase their profits, capitalist monopolies invest capital in the developing countries in such a way that they are able to export cheap goods and semi-finished products, parts and components from them to the industrially developed countries.

The greater part of TNC investments are made in industries which form a kind of enclave in relation to the developing economies. They differ from local enterprises in their level of technical equipment and technology and are geared to producing goods which are not consumed locally. These industries work mainly for export and therefore deliveries made by enterprises within TNCs to a considerable extent comprise the foreign trade of developing countries. Industrial exports by TNC affiliates account for approximately 40 per cent of developing countries' total exports.

Frequently, the necessary conditions do not exist in developing countries for carrying on R&D work with a view to developing national technology and essential producer and consumer goods. It would be a great help if they could obtain technology which could be used not within TNCs but chiefly in national industry. But once again their interests come into conflict with the system of intra-firm divison of labour by monopolies.

The volume of R&D undertaken by TNCs abroad is still rather small, and, in fact, all their activities in this respect are concentrated in a small number of developed countries. Meanwhile, developing countries are excluded from TNCs' R&D programmes, and, accordingly, TNCs reduce the flow of new technology, research results and inventions. Thus, developing countries account for only 3.5 per cent of total expenditure on R&D abroad by U.S. multinational monopolies.[31]

This policy has very bad consequences for the developing countries, since their dependence on capitalist countries and relative backwardness in science and technology is highly evident even without this. In view of this, it must be recognised that it is extremely important for these countries to obtain a sufficient volume and particularly a level of scientific and technical know-how which is not only adapted to their local conditions but enables them to overcome their industrial backwardness. The TNCs, however, transfer technology on extremely strict conditions, with numerous reservations, and for the most part it is either out-of-date or too complex to meet the needs of the newly independent countries. The division of labour employed by the TNCs and their refusal to carry out R&D work on any significant scale in the developing countries severely restrict the latter's ability to train scientists or develop the plant, machinery and technology they require. Through their regulation of capital exports, multinational monopolies use technological colonialism as one of their most important means to control the newly independent countries and keep them in a subordinate role in the world capitalist system.

The TNCs' investment policy, which is directly tied up with their division of labour, makes a substantial impact upon employment in the developing countries. The scale of industrialisation and national economic development is, on the whole, still so small that it is impossible to guarantee work for a great mass of people seeking it. There are now three hundred million people who are either wholly or partially unemployed in the developing world. The TNCs could without a doubt play an important role in increasing employment. But this does not happen for the following reasons.

The export of capital entails the transfer abroad of capitalism's production relations and its exploitation of wage labour. Alongside, it leads to development of a system of international exploitation and oppression of the newly independent countries by imperialism. When they export functioning capital which is invested directly in factories, monopolies also export a certain type of technology used at their own enterprises. The importance of technology as regards employment is obvious from the example of the industrially developed countries. In the developing world, too, the level of employment depends to a great extent on the location of direct foreign investment in a particular industry and the technological processes used there. Technology not only plays an important role in the development of production but it also has a broad social context. On the whole, the technology exported by TNCs does not meet the needs of the newly independent countries in tackling their severe social problems.

At first sight, the introduction of labour-intensive technology helps to solve the employment prob-

lem in developing countries. Indeed, from this point of view, it is more acceptable than capital-intensive technology. Nevertheless, the spread of labour-intensive production can only reduce the unemployment problem slightly. In the face of the gigantic army of unemployed, the creation even of ten million jobs does not fundamentally change the situation.

On the whole, the relocation of labour-intensive industries to developing countries has an adverse effect on their economies. Normally, routine simple technology, which does not require the introduction of plant and machinery, is used in labour-intensive processes. It stands in the way of developing countries assimilating new technology and advanced production methods. The labour-intensive technology employed by TNCs in a number of industries in effect prevents any substantial rise in the level of training of the local workforce, since it demands only quick movement and dexterity rather than education or skills.

It should also be noted that TNC affiliates in developing countries import a considerable number of products for assembly. This reduces the market for local firms, and thus leads to a drop in production and employment. For example, a survey of ten South Korean industries in which TNC participation was high showed that about 78 per cent of components for assembly operations were imported.[32]

According to U.N. experts, foreign investments in the developing world are distributed by industry as follows: 35 per cent—in the oil industry; 9.8 per cent—in extractive and metallurgical industries; 30.3 per cent—in manufacturing, and

24.8 per cent in other industries. As much as 45 per cent of direct foreign investments are made in the generally capital-intensive oil, extractive and metallurgical industries. To these should be added the quite substantial amount of investment in capital-intensive branches of manufacturing.[83]

Specialists who made an analysis of the impact of foreign investment on employment in developing countries for the International Labour Organisation grouped them by industry according to the type of technology used. The characteristics and particular features of foreign investment in individual economic sectors and the strategy adopted by TNCs formed the basis of their classification. According to their research 42 per cent was placed in extractive and agricultural sectors, 48 per cent in sectors producing goods for highly protected markets, and only 10 per cent in sectors which made use of a significant amount of labour.[84] According to the authors of the research and many other economists, the first two groups of sectors used capital-intensive technology in developing countries and only the sectors in the last, smaller group function on the basis of labour-intensive technology.

Thus, it is clear that the scale of labour-intensive technology introduced by TNCs is too small to tackle the problem of employment in the developing world. Besides, note should be taken of a number of harmful socio-economic consequences that arise from the introduction of labour-intensive technology.

In the first place, it has a negative effect upon the scale and level of training workers and impedes the development of modern production methods in developing countries. Local workers em-

ployed in labour-intensive operations are far worse educated and trained than their class comrades in economically developed countries, most of whom are employed in technologically complex processes. In Mexico's "electronics belt", 80 per cent of employees are young women aged between 16 and 24 who have learnt how to do a very limited number of operations. Their training takes only six weeks. Obviously, plant and machinery is used on a very small scale in labour-intensive processes and often lags far behind the latest technology available in this sphere.

Foreign capital prefers to use labour-intensive technology in order to obtain super-profits and to increase the degree of exploitation of the working class in developing countries. Simple routine technology is employed in labour-intensive processes, and labour productivity is approximately the same in developed and developing countries and in some cases it is even higher in the latter.

For example, the U.S. Tariff Commission disclosed that labour productivity in electronics assembly work was approximately 92 per cent of the American level in developing countries, and in a number of cases there was no difference at all. The greatest differences were found in the clothing industry in Mexico, where labour productivity was only 60 per cent of American. The American economist M. Sharpston has shown that productivity in Mexico's industrial frontier zone is 80-140 per cent of American, while in Morocco it is 85-90 per cent of the West European level. Another American writer, D. W. Baerresen, shows that productivity on simple operations in electronics firms is 10-20 per cent higher in Mexico than in the Unit-

ed States while at South Korean plants it is a further 20-40 per cent higher than the Mexican level.[35] Thus, bourgeois experts themselves admit that there is no difference in productivity. At the same time, however, wages in factories owned by foreign capital in the developing countries lag far behind those paid to workers of similar skills in capitalist countries.

The economic structure imposed by TNCs runs counter to the developing countries' basic interests. The TNCs increase social tensions. The intra-firm division of labour comes into conflict with the developing countries' basic economic objectives. The TNCs seek to perpetuate the unequal and subordinate position of these countries in the production of raw materials, which has long been a sphere dominated by multinational monopolies. The restructuring of the international division of labour by TNCs leads to the establishment of a new type of economic dependence of the developing world by way of shifting onto its territory labour-intensive, energy-intensive and ecologically detrimental industries. The neo-colonialism of the TNCs is evident because, in order to help incorporate the newly independent countries into the capitalist system, they do not introduce the necessary means and resources for overcoming severe backwardness in the field of plant and machinery, production technology and into the scientific and technological field.

The activities of the monopolies enable the capitalist countries to keep a grip on development and priority use of scientific and technological innovations and to specialise in advanced science-intensive production. Despite the fact that they

now can produce certain types of manufactures in addition to raw materials, the developing countries will not be able to eliminate their economic dependence on the West in these "new" conditions.

* * *

The activity of modern multinational monopolies sharply reflects the attempt by finance capital to expand its economic territory and sphere of influence and to capture sources of raw materials and markets. TNC expansion takes no account of national interests or the economic development needs of particular countries. It acts as a brake on the free and rapid development of productive forces, untrammelled by any constraints and stands in the way of observance of the principles of equality and mutual benefit in contacts between countries. The progress that has been made in the 1970s in restructuring international economic relations has only been possible because of an active struggle against TNC methods and practices. The establishment of control over their activities will be an important factor in democratising relations within the world community.

The United Nations' codes of conduct for TNCs and in the transfer of technology could play an important role in developing international controls. The developing countries which have proclaimed the need to develop such codes among their key demands in the NIEO programme are struggling to ensure that this happens. The Soviet Union and other socialist countries, which participate fully in the work of the appropriate U.N. commissions, have made similar demands. However, from the

very beginning, there have been serious differences between the capitalist countries, on the one hand, and the developing and socialist countries, on the other, with regard to questions of principle and the basic clauses in these codes, and the commitments under them by the various parties.

Under pressure from progressive forces in the world to adopt some kind of regulations, the capitalist countries insist on the non-binding nature of these codes of conduct. They maintain that these codes should call upon the governments of the host countries even more than the TNCs to regulate their conduct. The position of imperialism is to reject the principle of national sovereignty, which is upheld by the overwhelming majority of countries. The code should contain guarantees regarding nationalisation and the payment of compensation, and should also include measures ensuring a favourable investment climate for TNCs. The West attaches particular importance to this last demand in view of their dependence on the developing world's energy and raw material supplies and their need to relocate low-profitability industries there. Moreover, despite existing differences between countries, they all pursue the same main objeotive, to defend the interests of their own monopolies and create conditions for preserving and expanding their position.

The capitalist countries adopt a similar position in regard to the code on the transfer of technology. As in the first case, they stress that governments are not able to undertake legal obligations regarding the sale of technology. The Western countries believe the reasons for this are as follows: firstly, technology belongs to private enterprises and com-

panies and not to governments; secondly, technology forms an integral part of the national resources of sovereign countries and therefore can be transferred abroad only in exceptional cases.

The socialist and developing countries uphold the principle of the legally binding nature of the code of conduct for TNCs. This is a legitimate position, because this is the only possible way in fact to restrain the more aggressive intentions of the monopolies and finance capital and their undermining of national sovereignty in economic and political matters. The main demands for which the developing countries are fighting are as follows: a stop to TNC intervention in the internal affairs of sovereign states and to cooperation with racist regimes and colonial authorities; the possibility of regulating TNC operations in order to make them fit in with national plans and development aims; the abolition of "restrictive business practices"; the granting of aid and the transfer of technology and managerial skills to developing countries without restrictions and on favourable terms; and control over the export of profits with due regard for the legitimate interests of all parties.

The code on the transfer of technology is intended to regulate the international flow of technology which should be provided in all its various forms, without any restrictions and with regard to the special needs of the developing countries. It is emphasised that, since mainly private institutions are engaged in the development of technology in the developed countries, governments should give them help and encourage them to transfer technology which should not depend on private decision-taking.

There can be no doubt about the justness of these demands, which are made on the TNCs. The topicality of these demands which form part of the general struggle to restructure international economic relations and to eliminate all forms of discrimination in world trade and in scientific and technological relations is also quite obvious. An important step forward would be taken towards the democratisation of relations between all countries, if certain measures of control which curtail the most aggressive intentions of the TNCs and the negative consequences of their activities for national economy and expansion of world economic relations were to be taken.

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The book offers a Marxist analysis of the economic and political factors that led to the emergence and growth of transnational corporations, which are playing an increasing role in the economy of present-day capitalist society. A study is made of the forms of concentration, specialisation, cooperation in production, research and development, and funding practised by the transnationals. The author looks into the mechanism of foreign economic expansion and capitalist exploitation of labour at enterprises belonging to the transnationals. The problems of relations between international monopolies and the bourgeois state, and the contradictions that arise over state regulation of their foreign expansion are also dealt with.

The book is intended for experts dealing in the economics and politics of the present-day capitalism.

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